

CITY OF RICHMOND, MISSOURI

**FINANCIAL STATEMENTS TOGETHER
WITH INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED SEPTEMBER 30, 2012

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Richmond, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Richmond, Missouri, as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Richmond as of September 30, 2012, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 14 and 43 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Westbrook & Co., P.C.

February 5, 2013



MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of the City of Richmond's (the City) financial report presents a review of the City's financial performance during the fiscal year that ended September 30, 2012. Please read this section in conjunction with the City's financial statements, which follow this section.

Financial Highlights

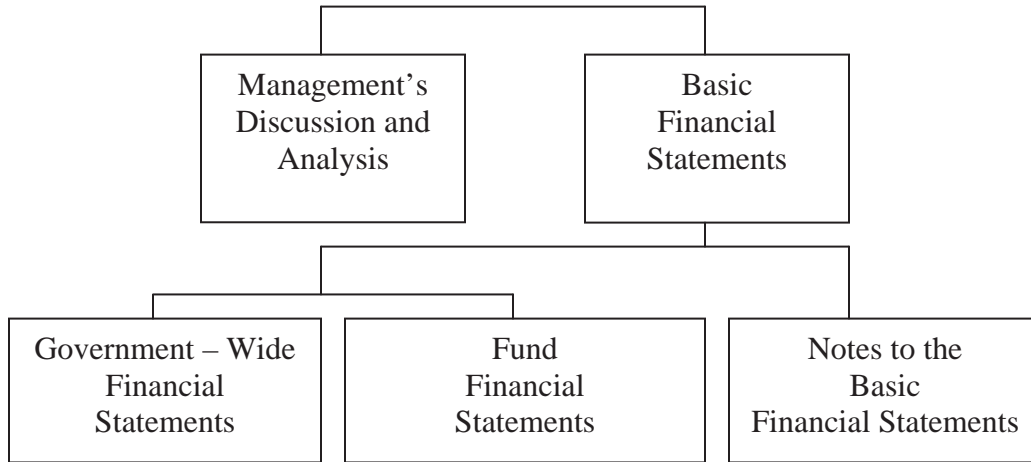
- The assets of the City of Richmond exceeded its liabilities by \$17,197,465. Of this amount, \$15,619,495 represents the City's investment in capital assets, net of related debt; \$834,467 is restricted for debt service and \$98,273 is restricted for perpetual care. There is a deficit of \$1,313,406 of net assets unrestricted for governmental activities and a positive balance of \$1,958,636 of net assets unrestricted for business-type activities.
- The City's total net assets increased \$1,267,231.
- The City's long-term debt decreased approximately \$364,000 during the current fiscal year.

Overview of the Financial Statements

This section is the Management's Discussion and Analysis and contains supplementary information to the basic financial statements.

The City's basic financial statements will follow this section and are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the basic financial statements.

Required Components



Summary \longrightarrow Detail

Government-Wide financial statements provide both long-term and short-term information about the City's overall financial status.

Fund financial statements focus on individual parts of the City government, reporting the City's operation in more detail than the government-wide statements. These operations are separated into two groups, governmental funds and proprietary funds.

- Governmental fund statements tell how general government services, such as public safety, were financed in the short-term as well as what remains for future spending.
- Proprietary fund statements provide short and long-term financial information about the activities the government operates like a business, such as solid waste, water, and wastewater operations.

The notes to the basic financial statements provide “required supplementary information” that further explains and supports the information in the basic financial statements.

Government-Wide Financial Statements

Our analysis of the City as a whole is presented in the government-wide financial statements. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities reports information about the City as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash was received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets - the difference between assets and liabilities - as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is that the format is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities - Most of the City's basic services are reported here, including general administration, public safety, streets and public works, community development, parks and recreation. Taxes, (sales, property and franchise) charges for services, fines, and state and federal grants finance most of these activities.
- Business-type activities - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water, wastewater and solid waste activities are reported here.

Fund Financial Statements

The fund financial statements provide more detailed information about the most significant funds - not the City as a whole. Funds are the accounting devices the City uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by State law and by bond covenants. The City establishes other funds to help it control and manage its resources. A fund is a fiscal entity with a set of self-balancing accounts recording financial resources, together with all related liabilities and residual equities and balances, and the changes therein.

The City has two types of funds:

- Governmental funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in the reconciliation following the fund financial statements.
- Proprietary funds - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's water, wastewater and solid waste enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

Government-Wide Financial Analysis

Our analysis below focuses on net assets (Figure 1) and changes in net assets (Figure 2) of the governmental and business-type activities.

Figure 1

City of Richmond's Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Assets:						
Current & other assets	\$ 1,723,703	\$ 1,743,352	\$ 2,888,706	\$ 2,751,516	\$ 4,612,409	\$ 4,494,868
Capital assets, net	<u>11,743,495</u>	<u>11,328,803</u>	<u>10,879,053</u>	<u>10,818,072</u>	<u>22,622,548</u>	<u>22,146,875</u>
Total assets	<u>13,467,198</u>	<u>13,072,155</u>	<u>13,767,759</u>	<u>13,569,588</u>	<u>27,234,957</u>	<u>26,641,743</u>
Liabilities:						
Other liabilities	897,249	902,422	728,276	745,300	1,625,525	1,647,722
Long-term liabilities	<u>6,409,693</u>	<u>6,723,851</u>	<u>2,002,274</u>	<u>2,339,936</u>	<u>8,411,967</u>	<u>9,063,787</u>
Total liabilities	<u>7,306,942</u>	<u>7,626,273</u>	<u>2,730,550</u>	<u>3,085,236</u>	<u>10,037,492</u>	<u>10,711,509</u>
Net assets:						
Invested in capital assets, net of related debt	7,083,560	6,772,413	8,535,935	8,156,060	15,619,495	14,928,473
Restricted	390,102	304,419	542,638	496,793	932,740	801,212
Unrestricted	<u>(1,313,406)</u>	<u>(1,630,950)</u>	<u>1,958,636</u>	<u>1,831,499</u>	<u>645,230</u>	<u>200,549</u>
Total net assets	<u>\$ 6,160,256</u>	<u>\$ 5,445,882</u>	<u>\$ 11,037,209</u>	<u>\$ 10,484,352</u>	<u>\$ 17,197,465</u>	<u>\$ 15,930,234</u>

Net assets may serve over time as a useful indicator of a government's financial position. As shown in Figure 1, the City's combined net assets increased to \$17,197,465 from \$15,930,234 as a result of the increase in net assets reflected in Figure 2.

For the year ended September 30, 2012, net assets of the City changed as follows:

Figure 2**City of Richmond's Change in Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues						
Program Revenues:						
Charges for services	\$ 263,881	\$ 235,552	\$ 3,005,233	\$ 2,835,551	\$ 3,269,114	\$ 3,071,103
Operating grants and contributions	17,835	54,622	-	-	17,835	54,622
Capital grants	-	-	-	-	-	-
General Revenues:						
Property Taxes	796,994	772,349	-	-	796,994	772,349
Sales and Use Taxes	1,855,649	1,812,698	-	-	1,855,649	1,812,698
Franchise and other taxes	884,268	1,070,938	7,039	2,651	891,307	1,073,589
Fines, tickets and fees	169,780	128,285	-	-	169,780	128,285
Interest revenue	23,158	14,200	47,608	54,932	70,766	69,132
Gain on sale of assets	600	-	-	(1,950)	600	(1,950)
Total Revenues	<u>4,012,165</u>	<u>4,088,644</u>	<u>3,059,880</u>	<u>2,891,184</u>	<u>7,072,045</u>	<u>6,979,828</u>
Expenses						
Administration	484,523	667,721	-	-	484,523	667,721
Public safety	1,435,122	1,437,647	-	-	1,435,122	1,437,647
Public works	472,531	303,409	-	-	472,531	303,409
Community development	136,156	119,340	-	-	136,156	119,340
Cemetery, parks, & recreation	477,931	408,976	-	-	477,931	408,976
Interest long-term debt	291,528	420,864	-	-	291,528	420,864
Water	-	-	1,136,431	1,095,322	1,136,431	1,095,322
Wastewater	-	-	1,127,330	1,035,347	1,127,330	1,035,347
Solid Waste	-	-	243,262	228,533	243,262	228,533
Total Expenses	<u>3,297,791</u>	<u>3,357,957</u>	<u>2,507,023</u>	<u>2,359,202</u>	<u>5,804,814</u>	<u>5,717,159</u>
Change in net assets	714,374	730,687	552,857	531,982	1,267,231	1,262,669
Beginning net assets	<u>5,445,882</u>	<u>4,715,195</u>	<u>10,484,352</u>	<u>9,952,370</u>	<u>15,930,234</u>	<u>14,667,565</u>
Ending net assets	<u>\$ 6,160,256</u>	<u>\$ 5,445,882</u>	<u>\$ 11,037,209</u>	<u>\$ 10,484,352</u>	<u>\$ 17,197,465</u>	<u>\$ 15,930,234</u>

For the fiscal year ended September 30, 2012, government-wide revenues totaled \$7,072,045. Approximately 47% of all revenues are from charges for services, and 26% is from sales tax. See Figures 3 and 4.

Figure 3

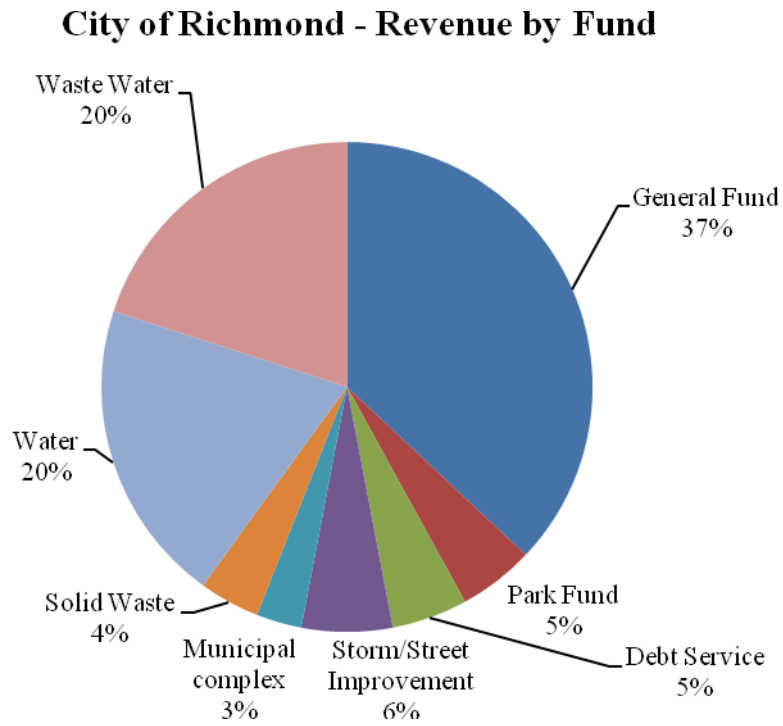
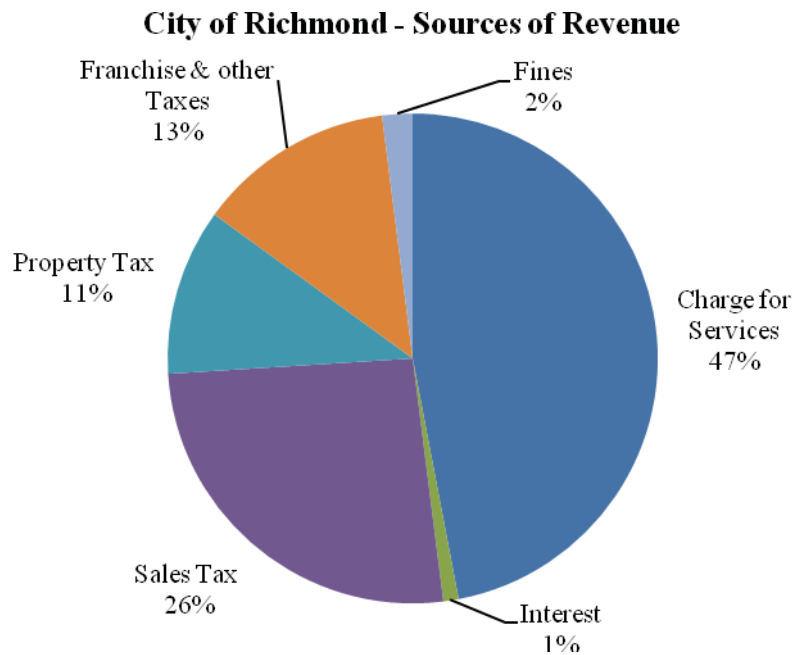


Figure 4



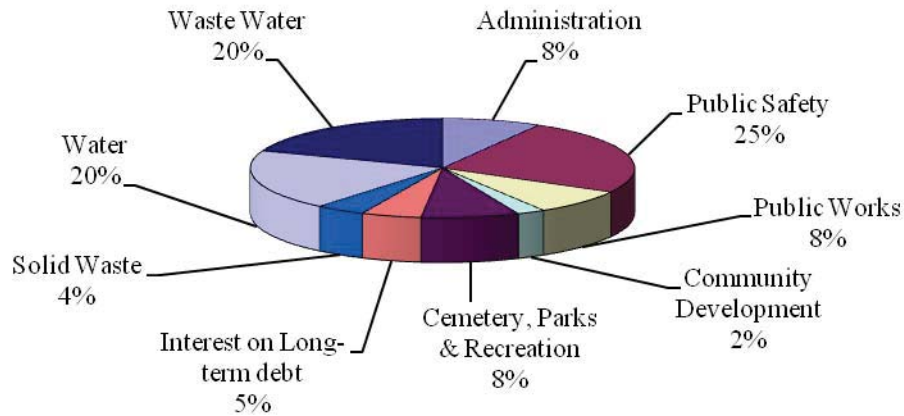
Charges for services are derived from users of the City's programs such as governmental programs and from fees from the users of the City's solid waste, water and wastewater operations.

The next largest revenue source for the entire City is sales tax. During the 2012 fiscal year sales tax revenues were \$1,855,649. The City of Richmond has a 1% sales tax to fund general governmental activities, a .5% sales tax for storm water and street improvements, a .25% sales tax to finance the municipal complex, and a .25% sales tax for parks. Sales tax activity has remained constant from last fiscal year.

The City's expenses cover a range of services. As shown in Figure 5, approximately 44% of all city expenses during the 2012 fiscal year were related to the three business-type activities, solid waste, water, and wastewater. The second largest expenditure in 2012 was public safety at 25%. Public safety is comprised of the police department, the fire department and dispatch.

Figure 5

City of Richmond - Functional Expenses



Governmental Activities

Governmental activities increased the City's net assets by \$714,374. For the fiscal year ended September 30, 2012, revenues totaled \$7,072,045 (governmental and business-type). Revenues from governmental activities were \$4,012,165 or 57% of the total city revenue.

Certain revenues are generated that are specific to governmental program activities. These totaled \$281,716. Figure 6 shows expenses and program revenues of the governmental activities for the years ended September 30, 2012 and 2011:

Figure 6

	Net Cost of City of Richmond's Governmental Activities					
	2012			2011		
	Cost of Services	Program Revenue	Net Cost of Service	Cost of Services	Program Revenue	Net Cost of Service
Administration	\$ 484,523	\$ 31,236	\$ 453,287	\$ 667,721	\$ 37,877	\$ 629,844
Public Safety	1,435,122	47,601	1,387,521	1,437,647	79,044	1,358,603
Public Works	472,531	-	472,531	303,409	-	303,409
Community Development	136,156	39,571	96,585	119,340	16,066	103,274
Cemetery, Parks & Recreation	477,931	163,308	314,623	408,976	157,187	251,789
Interest on long-term debt	291,528	-	291,528	420,864	-	420,864
Total	\$ 3,297,791	\$ 281,716	\$ 3,016,075	\$ 3,357,957	\$ 290,174	\$ 3,067,783

As noted in Figure 6, expenses from governmental activities totaled \$3,297,791. However, the net costs of these services were \$3,016,075. The difference represents direct revenues from charges for services of \$263,881, and grants and contributions of \$17,835. Taxes and other revenues were collected to cover these net costs.

Business-Type Activities

Business-type activities increased the City's net assets by \$552,857. Key elements of the change in net assets are as follows:

- Solid waste operating revenue increased \$4,193 from the prior year, and operating expenses increased \$14,729. Last year the solid waste fund net assets increased \$37,440. This year the solid waste fund net assets increased an additional \$26,997. The increase in the Solid Waste operating revenue was due to a rate increase in July 2012. Heartland Waste increased the amount charged to the City, which was passed on to the individual customers. The increase in the Solid Waste operating expenses was due primarily to the increase from Heartland Waste, the implementation of the hazardous waste collection program, and adding a pro-rata cost share for the Summit accounting software.
- Water operating revenue increased \$68,380 from the prior year, while operating expenses increased \$51,872. Last year the Water Fund net assets increased \$227,660. This year the Water Fund net assets increased an additional \$259,704. The increase in Water operating revenue was due primarily to an increase in water usage. The increase in Water operating expenses was due primarily to an increase in personnel expenses.

- Wastewater operating revenue increased \$97,109 from the prior year, and operating expenses increased \$103,474. Last year the Wastewater Fund net assets increased \$266,882. This year the Wastewater Fund net assets increased an additional \$266,156. The increase in the Wastewater operating revenue was due primarily to a base rate increase in August 2012 and the implementation of a base rate to the City of Henrietta. The increase in Wastewater operating expenses was due primarily to a Cured in Place Pipe waste water line rehabilitation project.

Financial Analysis of the City's Funds

The City of Richmond's governmental funds reported combined ending fund balances of \$1,439,847, an increase of \$252,878 over the prior year. This increase to the fund balance is a result of sound financial management and holding expenses to a minimum during the 2012 fiscal year. The fund balance of the General Fund by itself increased \$248,934 in fiscal year 2012. Last year the General Fund increased \$419,815. This increase is due to careful management of all activities.

Budgetary Highlights

Difference between the original and the final approved budget can be summarized as follows:

- Total original revenue budget for the General Fund of \$2,620,780 did not increase.
- Total original expense budget for the General Fund of \$2,530,092 increased to \$2,535,382. The increase was due to the following items:
 - \$5,291 Additional Capital Asset (Equipment) for the Public Works radios

The actual amounts for the General Fund on the budgetary basis was \$2,681,316 in revenue versus \$2,337,129 in expenses. The net change to the General Fund balance at the end of the year is an increase of \$292,311.

Capital Assets and Debt Administration

The fiscal year 2012 capital asset activity for governmental activities included the following expenditures:

- Land for Hamann Park
- Southview Park sidewalk projects
- Southview Park parking lot repaving project
- 1/2 of the Concrete floor for the North Barn for the Public Works Departments
- Lexington Street storm water improvements
- Completed Garner/Wilson Street storm water improvements
- Two 2010 Ford Crown Victoria police interceptors and related equipment
- Base radio and mobile radios for the narrowband compliance
- Computer Voice Stress Analyzer II for Police and Fire Departments

- ADA pool lift with anchor for Southview Pool
- Commercial pool cleaner for Southview Pool
- John Deere Z665 mower and deck for the Street Department
- 1/3 of the 24” HD excavator bucket for the Public Works Departments
- Rotary file for the Police Department

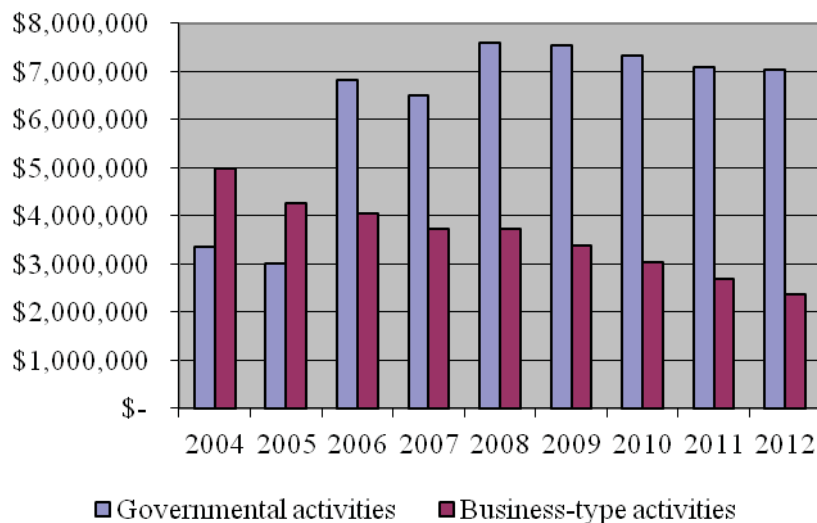
The year’s major capital asset activity for business-type activities included the following expenditures:

- Land for South Wastewater Treatment Plant sludge disposal
- 1/2 of the Concrete floor for the North Barn for the Public Works Departments
- Upgrade Itron McLite handheld meter reader
- IDEXX E-Coli testing machine
- 1/3 of the 24” HD excavator bucket for the Public Works Departments
- Completed rehab of pump and rebuild the motor on Water Well #6
- Engineering work on upgrading and modernizing the South Wastewater Treatment Plant

In fiscal year 2012, long-term debt outstanding and other liabilities decreased by \$363,941. Long-term debt for the governmental activities decreased \$45,047. Long-term debt for the business-type activities decreased \$318,894.

Figure 7

City of Richmond Long-Term Debt



Factors expected to have Significant Future Effect on Financial Position and Results of Operation

The South Wastewater Treatment Plant has significant deterioration and the City is planning to upgrade and modernize this Wastewater Treatment Plant (construction estimated to begin in the summer or fall of 2013). The City will use the \$9,800,000 voter approved bond capacity, of which \$968,000 will be funded by a USDA approved loan and the remainder sold on the commercial bond market. Additional funds are expected to be used to pay for the Wastewater Treatment Plant upgrades, such as an estimated \$400,000-\$600,000 of reserves of the wastewater fund, a \$500,000 CDBG Grant, and a \$416,000 Rural Development Grant. The North Wastewater Treatment Plant will be closed and a new lift station will be built at that site. A force main will be built to pump waste collected at the North Wastewater Treatment Plant location to the South Wastewater Treatment Plant for processing.

The citizens approved a 5-year extension of the ½ cent Transportation Sales Tax in November 2012. This tax is used for transportation purposes including street improvements and related storm water improvements.

Waterline replacement, clearwell, water tower, and water tank testing and rehabilitation, wastewater line rehabilitation, addressing I&I, and manhole repair and upgrades continue to be a critical need. We expect to spend approximately \$140,000 on wastewater line relining in FY2013.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact any of the following persons at 205 Summit Street, Richmond, MO 64085 or (816) 776-5304.

Michael K. Wright, Mayor
Ronald G. Brohammer, City Administrator
Rebecca A. Hoeflicker, Finance Director

CITY OF RICHMOND, MISSOURI
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,227,082	\$ 1,781,825	\$ 3,008,907
Receivables, net:			
Taxes	364,768	-	364,768
Accounts	-	494,310	494,310
Other	5,509	-	5,509
Accrued interest	-	9,890	9,890
Prepaid expenses	<u>16,802</u>	<u>6,199</u>	<u>23,001</u>
Total current assets	<u>1,614,161</u>	<u>2,292,224</u>	<u>3,906,385</u>
Noncurrent assets:			
Restricted cash and cash equivalents	-	542,638	542,638
Bond issue costs, net	42,504	53,844	96,348
Inventory	67,038	-	67,038
Capital assets, net	<u>11,743,495</u>	<u>10,879,053</u>	<u>22,622,548</u>
Total noncurrent assets	<u>11,853,037</u>	<u>11,475,535</u>	<u>23,328,572</u>
Total Assets	<u>13,467,198</u>	<u>13,767,759</u>	<u>27,234,957</u>
LIABILITIES			
Current liabilities:			
Accounts payable	99,705	91,496	191,201
Accrued payroll and benefits	95,851	37,458	133,309
Accrued interest	6,507	29,569	36,076
Customer deposits	<u>4,676</u>	<u>194,466</u>	<u>199,142</u>
Total current liabilities	<u>206,739</u>	<u>352,989</u>	<u>559,728</u>
Noncurrent liabilities:			
Due in one year	632,746	375,287	1,008,033
Due in more than one year	6,409,693	2,002,274	8,411,967
Unamortized bond premium	<u>57,764</u>	<u>-</u>	<u>57,764</u>
Total noncurrent liabilities	<u>7,100,203</u>	<u>2,377,561</u>	<u>9,477,764</u>
Total Liabilities	<u>7,306,942</u>	<u>2,730,550</u>	<u>10,037,492</u>
NET ASSETS			
Net assets:			
Invested in capital assets, net of related debt	7,083,560	8,535,935	15,619,495
Restricted for:			
Perpetual care	98,273	-	98,273
Debt service	291,829	542,638	834,467
Unrestricted	<u>(1,313,406)</u>	<u>1,958,636</u>	<u>645,230</u>
Total Net Assets	<u>\$ 6,160,256</u>	<u>\$ 11,037,209</u>	<u>\$ 17,197,465</u>

See accompanying notes to the basic financial statements.

**CITY OF RICHMOND, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Primary Government:							
Governmental activities:							
Administration	\$ 484,523	\$ 28,003	\$ 3,233	\$ -	\$ (453,287)	\$ -	\$ (453,287)
Public safety	1,435,122	33,699	13,902	-	(1,387,521)	-	(1,387,521)
Public works	472,531	-	-	-	(472,531)	-	(472,531)
Community development	136,156	39,571	-	-	(96,585)	-	(96,585)
Cemetery, parks and recreation	477,931	162,608	700	-	(314,623)	-	(314,623)
Interest on long-term debt	291,528	-	-	-	(291,528)	-	(291,528)
Total governmental activities	<u>3,297,791</u>	<u>263,881</u>	<u>17,835</u>	<u>-</u>	<u>(3,016,075)</u>	<u>-</u>	<u>(3,016,075)</u>
Business-type activities:							
Water	1,136,431	1,353,192	-	-	-	216,761	216,761
Wastewater	1,127,330	1,381,901	-	-	-	254,571	254,571
Solid waste	243,262	270,140	-	-	-	26,878	26,878
Total business-type activities	<u>2,507,023</u>	<u>3,005,233</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>498,210</u>	<u>498,210</u>
Total primary government	<u>\$ 5,804,814</u>	<u>\$ 3,269,114</u>	<u>\$ 17,835</u>	<u>\$ -</u>	<u>(3,016,075)</u>	<u>498,210</u>	<u>(2,517,865)</u>
General revenues:							
Property tax					796,994	-	796,994
Sales tax					1,855,649	-	1,855,649
Other local taxes					276,734	7,039	283,773
Franchise taxes					607,534	-	607,534
Fines, tickets and fees					169,780	-	169,780
Interest revenue					23,158	47,608	70,766
Gain on sale of assets					600	-	600
Total general revenues					<u>3,730,449</u>	<u>54,647</u>	<u>3,785,096</u>
Change in net assets					714,374	552,857	1,267,231
Net assets, beginning of year					<u>5,445,882</u>	<u>10,484,352</u>	<u>15,930,234</u>
Net assets, end of year					<u>\$ 6,160,256</u>	<u>\$ 11,037,209</u>	<u>\$ 17,197,465</u>

See accompanying notes to the basic financial statements.

CITY OF RICHMOND, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	<u>GENERAL</u>	<u>PARK</u>	<u>1/2 CENT SALES TAX</u>	<u>DEBT SERVICE</u>	<u>MUNICIPAL COMPLEX</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTALS GOVERNMENTAL FUNDS</u>
ASSETS							
Cash and cash equivalents (deficit)	\$ 730,079	\$ 142,263	\$ 312,946	\$ 275,741	\$ (373,512)	\$ 139,565	\$ 1,227,082
Receivables, net:							
Taxes	214,400	37,019	64,841	16,088	32,420	-	364,768
Other	5,509	-	-	-	-	-	5,509
Inventory	67,038	-	-	-	-	-	67,038
Prepaid expenses	<u>15,805</u>	<u>997</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,802</u>
Total Assets	<u>\$ 1,032,831</u>	<u>\$ 180,279</u>	<u>\$ 377,787</u>	<u>\$ 291,829</u>	<u>\$ (341,092)</u>	<u>\$ 139,565</u>	<u>\$ 1,681,199</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 91,552	\$ 3,247	\$ 4,741	\$ -	\$ -	\$ 165	\$ 99,705
Accrued liabilities	93,362	2,489	-	-	-	-	95,851
Payable from restricted assets:							
Municipal court bonds	4,676	-	-	-	-	-	4,676
Deferred revenue	<u>20,433</u>	<u>4,599</u>	<u>-</u>	<u>16,088</u>	<u>-</u>	<u>-</u>	<u>41,120</u>
Total Liabilities	<u>210,023</u>	<u>10,335</u>	<u>4,741</u>	<u>16,088</u>	<u>-</u>	<u>165</u>	<u>241,352</u>
Fund balances:							
Nonspendable	82,843	997	-	-	-	98,273	182,113
Restricted	-	168,947	104,469	275,741	-	41,127	590,284
Committed	-	-	268,577	-	-	-	268,577
Unassigned	<u>739,965</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(341,092)</u>	<u>-</u>	<u>398,873</u>
Total Fund Balances	<u>822,808</u>	<u>169,944</u>	<u>373,046</u>	<u>275,741</u>	<u>(341,092)</u>	<u>139,400</u>	<u>1,439,847</u>
Total Liabilities and Fund Balances	<u>\$ 1,032,831</u>	<u>\$ 180,279</u>	<u>\$ 377,787</u>	<u>\$ 291,829</u>	<u>\$ (341,092)</u>	<u>\$ 139,565</u>	<u>\$ 1,681,199</u>

See accompanying notes to the financial statements.

**CITY OF RICHMOND, MISSOURI
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

Fund Balances - Total Governmental Funds \$ 1,439,847

Amounts reported for governmental activities in the
Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial
resources and, therefore, are not reported in the governmental funds:

Governmental capital assets	\$ 16,021,821	
Less: accumulated depreciation	<u>(4,278,326)</u>	11,743,495

Certain revenues are not available to pay for current period expenditures
and therefore are deferred in the governmental funds. 41,120

Repayment of long-term debt principal is an expenditure in the governmental funds
but it reduces long-term liabilities in the Statement of Net Assets. Also,
governmental funds report the effect of bond issuance costs and premiums,
whereas these amounts are deferred and amortized in the Statement of Activities:

General obligation bonds	(2,340,000)	
Notes payable	(298,015)	
Lease purchases	(4,324,361)	
Bond issuance costs	42,504	
Unamortized bond premium	<u>(57,764)</u>	(6,977,636)

Liabilities for compensated absences are recognized only when
paid in the governmental fund statements but are accrued in the
government-wide statements. (80,063)

Other assets and liabilities not reported at the fund statement level:

Accrued interest		<u>(6,507)</u>
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Net Assets of Governmental Activities \$ 6,160,256

CITY OF RICHMOND, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	GENERAL	PARK	1/2 CENT SALES TAX	DEBT SERVICE	MUNICIPAL COMPLEX	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:							
Sales tax	\$ 955,159	\$ 225,105	\$ 450,275	\$ -	\$ 225,110	\$ -	\$ 1,855,649
Property tax	389,028	91,629	-	319,420	-	-	800,077
Franchise tax	607,534	-	-	-	-	-	607,534
Licenses and permits	36,509	-	-	-	-	-	36,509
Other local taxes	276,734	-	-	-	-	-	276,734
Fines, tickets and fees	163,748	-	-	-	-	6,032	169,780
Charges for services	194,655	2,974	-	-	-	1,418	199,047
Grants	10,464	-	-	-	-	-	10,464
Interest revenue	15,566	651	676	1,085	-	299	18,277
Miscellaneous	33,671	-	-	-	-	-	33,671
Total Revenues	<u>2,683,068</u>	<u>320,359</u>	<u>450,951</u>	<u>320,505</u>	<u>225,110</u>	<u>7,749</u>	<u>4,007,742</u>
EXPENDITURES:							
Administration	327,836	-	-	-	-	-	327,836
Public safety	1,365,353	-	-	-	-	3,343	1,368,696
Public works	233,981	-	108,448	-	-	-	342,429
Community development	135,459	-	-	-	-	-	135,459
Cemetery, parks and recreation	254,085	110,932	-	-	-	210	365,227
Capital outlay	60,401	618,782	197,543	-	-	-	876,726
Debt service:							
Principal	4,852	112,456	-	145,000	87,319	-	349,627
Interest and fees	291	8,231	-	90,531	190,411	-	289,464
Total Expenditures	<u>2,382,258</u>	<u>850,401</u>	<u>305,991</u>	<u>235,531</u>	<u>277,730</u>	<u>3,553</u>	<u>4,055,464</u>
Excess (deficiency) of revenues over expenditures	<u>300,810</u>	<u>(530,042)</u>	<u>144,960</u>	<u>84,974</u>	<u>(52,620)</u>	<u>4,196</u>	<u>(47,722)</u>
Other financing sources (uses):							
Loan proceeds	-	300,000	-	-	-	-	300,000
Proceeds from sale of property	600	-	-	-	-	-	600
Transfers	(52,476)	-	-	-	52,476	-	-
Total other financing sources (uses)	<u>(51,876)</u>	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>52,476</u>	<u>-</u>	<u>300,600</u>
Net change in fund balances	248,934	(230,042)	144,960	84,974	(144)	4,196	252,878
Fund balance, beginning of year	<u>573,874</u>	<u>399,986</u>	<u>228,086</u>	<u>190,767</u>	<u>(340,948)</u>	<u>135,204</u>	<u>1,186,969</u>
Fund balance, end of year	<u>\$ 822,808</u>	<u>\$ 169,944</u>	<u>\$ 373,046</u>	<u>\$ 275,741</u>	<u>\$ (341,092)</u>	<u>\$ 139,400</u>	<u>\$ 1,439,847</u>

See accompanying notes to the basic financial statements.

CITY OF RICHMOND, MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Net Change in Fund Balances - Total Governmental Funds \$ 252,878

Amounts reported for governmental activities in the
Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases	876,726	
Depreciation expense	<u>(487,244)</u>	389,482

Donations of capital assets increase net asset in the statement of activities, but do not appear in the governmental funds because they are not financial resources		25,209
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of bond issuance costs and premiums, whereas these amounts are deferred and amortized in the Statement of Activities.

Proceeds from note payable	(300,000)	
Principal payments	<u>349,656</u>	49,656

Revenues in the Statement of Activities that do not provide current financial resources are reported as deferred revenue in the governmental funds.

Property taxes	(3,084)	
Grants	<u>2,025</u>	(1,059)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Amortization of bond issuance costs	(3,592)	
Amortization of bond premium	4,881	
Accrued interest	1,528	
Compensated absences payable	<u>(4,609)</u>	(1,792)

Change in Net Assets of Governmental Activities **\$ 714,374**

CITY OF RICHMOND, MISSOURI
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012

ASSETS	<u>WATER</u>	<u>WASTEWATER</u>	<u>SOLID WASTE</u>	<u>TOTALS</u>
Current assets:				
Cash and cash equivalents	\$ 896,796	\$ 819,459	\$ 65,570	\$ 1,781,825
Receivables, net	223,550	230,854	39,906	494,310
Accrued interest	7,843	2,047	-	9,890
Prepaid expenses	3,093	3,106	-	6,199
Total current assets	<u>1,131,282</u>	<u>1,055,466</u>	<u>105,476</u>	<u>2,292,224</u>
Noncurrent assets:				
Restricted cash and cash equivalents	443,159	99,479	-	542,638
Bond issue costs, net	45,129	8,715	-	53,844
Capital assets, net	4,075,687	6,785,766	17,600	10,879,053
Total noncurrent assets	<u>4,563,975</u>	<u>6,893,960</u>	<u>17,600</u>	<u>11,475,535</u>
Total assets	<u>\$ 5,695,257</u>	<u>\$ 7,949,426</u>	<u>\$ 123,076</u>	<u>\$ 13,767,759</u>
 LIABILITIES AND NET ASSETS				
Current liabilities:				
Current portion of long-term debt	\$ 183,360	\$ 153,360	\$ -	\$ 336,720
Accounts payable	31,564	43,325	16,607	91,496
Customer deposits payable	194,466	-	-	194,466
Accrued interest	22,501	7,068	-	29,569
Accrued liabilities:				
Payroll and benefits	22,150	14,656	652	37,458
Compensated absences	19,272	19,295	-	38,567
Total current liabilities	<u>473,313</u>	<u>237,704</u>	<u>17,259</u>	<u>728,276</u>
Noncurrent liabilities:				
Notes payable	3,637	3,637	-	7,274
Bonds payable	1,695,000	300,000	-	1,995,000
Total noncurrent liabilities	<u>1,698,637</u>	<u>303,637</u>	<u>-</u>	<u>2,002,274</u>
Total liabilities	<u>2,171,950</u>	<u>541,341</u>	<u>17,259</u>	<u>2,730,550</u>
Net Assets:				
Invested in capital assets, net of related debt	2,193,690	6,328,769	17,600	8,540,059
Restricted for debt service	443,159	99,479	-	542,638
Unrestricted	886,458	979,837	88,217	1,954,512
Total net assets	<u>3,523,307</u>	<u>7,408,085</u>	<u>105,817</u>	<u>11,037,209</u>
Total liabilities and net assets	<u>\$ 5,695,257</u>	<u>\$ 7,949,426</u>	<u>\$ 123,076</u>	<u>\$ 13,767,759</u>

See accompanying notes to the basic financial statements.

CITY OF RICHMOND, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>WATER</u>	<u>WASTEWATER</u>	<u>SOLID WASTE</u>	<u>TOTALS</u>
Operating revenues:				
Charges for services	\$ 1,353,192	\$ 1,381,901	\$ 270,140	\$ 3,005,233
Operating expenses:				
Personnel services	439,276	362,570	35,643	837,489
Contractual services	182,434	424,793	196,294	803,521
Materials and supplies	212,750	50,531	10,011	273,292
Depreciation and amortization	200,217	260,572	607	461,396
Other operating expenses	<u>1,672</u>	<u>1,325</u>	<u>707</u>	<u>3,704</u>
Total operating expenses	<u>1,036,349</u>	<u>1,099,791</u>	<u>243,262</u>	<u>2,379,402</u>
Operating income	<u>316,843</u>	<u>282,110</u>	<u>26,878</u>	<u>625,831</u>
Nonoperating revenues (expenses):				
Interest income	36,273	11,216	119	47,608
Interest expense and fees	(100,082)	(27,539)	-	(127,621)
Other revenue	<u>6,670</u>	<u>369</u>	<u>-</u>	<u>7,039</u>
Total nonoperating revenues (expenses)	<u>(57,139)</u>	<u>(15,954)</u>	<u>119</u>	<u>(72,974)</u>
Income	259,704	266,156	26,997	552,857
Net assets, beginning of year	<u>3,263,603</u>	<u>7,141,929</u>	<u>78,820</u>	<u>10,484,352</u>
Net assets, end of year	<u>\$ 3,523,307</u>	<u>\$ 7,408,085</u>	<u>\$ 105,817</u>	<u>\$ 11,037,209</u>

See accompanying notes to the basic financial statements.

CITY OF RICHMOND, MISSOURI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	ENTERPRISE FUNDS			TOTALS
	WATER	WASTEWATER	SOLID WASTE	
Cash flows from operating activities:				
Cash receipts from customers	\$ 1,346,147	\$ 1,346,258	\$ 268,839	\$ 2,961,244
Cash payments to suppliers	(437,598)	(475,597)	(205,930)	(1,119,125)
Cash paid to employees	(429,815)	(360,495)	(35,319)	(825,629)
Net cash provided by operating activities	<u>478,734</u>	<u>510,166</u>	<u>27,590</u>	<u>1,016,490</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(8,574)	(501,334)	-	(509,908)
Principal paid on revenue bonds	(175,000)	(140,000)	-	(315,000)
Principal paid on notes payable	(4,009)	(4,009)	-	(8,018)
Interest and fees paid on debt	(101,963)	(29,723)	-	(131,686)
Net cash used in capital and related financing activities	<u>(289,546)</u>	<u>(675,066)</u>	<u>-</u>	<u>(964,612)</u>
Cash flows from investing activities:				
Interest received on cash accounts	36,846	12,629	119	49,594
Other receipts	6,670	369	-	7,039
Net cash provided by investing activities	<u>43,516</u>	<u>12,998</u>	<u>119</u>	<u>56,633</u>
Net increase (decrease) in cash and cash equivalents	232,704	(151,902)	27,709	108,511
Cash and cash equivalents, beginning of year	<u>1,107,251</u>	<u>1,070,840</u>	<u>37,861</u>	<u>2,215,952</u>
Cash and cash equivalents, end of year	<u>\$ 1,339,955</u>	<u>\$ 918,938</u>	<u>\$ 65,570</u>	<u>\$ 2,324,463</u>
Cash and cash equivalents	\$ 896,796	\$ 819,459	\$ 65,570	\$ 1,781,825
Restricted cash and cash equivalents	<u>443,159</u>	<u>99,479</u>	<u>-</u>	<u>542,638</u>
Cash and cash equivalents, end of year	<u>\$ 1,339,955</u>	<u>\$ 918,938</u>	<u>\$ 65,570</u>	<u>\$ 2,324,463</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 316,843	\$ 282,110	\$ 26,878	\$ 625,831
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	200,217	260,572	607	461,396
Changes in assets and liabilities:				
(Increase) decrease in receivables	(14,769)	(35,643)	(1,301)	(51,713)
(Increase) decrease in insurance proceeds receivable	7,724	-	-	7,724
(Increase) decrease in prepaid expenses	42	811	-	853
Increase (decrease) in accounts payable	(51,722)	241	1,082	(50,399)
Increase (decrease) in compensated absences	2,628	1,496	324	4,448
Increase (decrease) in payroll and benefits	6,833	579	-	7,412
Increase (decrease) in customer deposits payable	10,938	-	-	10,938
Net cash provided by operating activities	<u>\$ 478,734</u>	<u>\$ 510,166</u>	<u>\$ 27,590</u>	<u>\$ 1,016,490</u>

See accompanying notes to the basic financial statements.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Richmond, Missouri (the City) was incorporated in 1827 and covers an area of seven square miles in Ray County, Missouri. The City is organized as a third class city under the Revised Statutes of Missouri and operates under a Council-Mayor/City Administrator form of government and provides such services as are authorized by its charter to advance the health, welfare, comfort, safety and convenience of its inhabitants.

The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America applicable to local governments. The following represent the significant accounting and reporting policies and practices of the City.

Financial Reporting Entity: GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which amended GASB Statement No. 14, provides specific criteria which must be met in order for an organization to be included in the City's financial statements. Based on the City's evaluation, there were no organizations required to be included in the financial statements.

Basis of Presentation: The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the City as a whole. The statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions, such as grants and donations. Business-type activities are financed in whole or in part by fees charged to external parties. Expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues and contributions are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the City.

Fund Financial Statements - Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories.

The City has implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In the Fund financial statements, fund balance consist of five classifications: 1) Nonspendable fund balance which includes amounts that cannot be spent because they are not in spendable form, or they are legally or contractually required to be maintained intact. 2) Restricted fund balance are amounts restricted to specific purposes. 3) Committed fund balance are amounts that can only be used for specific purposes as pursuant to official action by the Council prior to the end of the reporting period. 4) Assigned fund balance are amounts the City intends to use for a specific purpose but is neither restricted nor committed. The Council has the authority to assign fund balances. 5) Unassigned fund balance represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general ledger.

The order of spending, regarding the restricted and unrestricted fund balance, when an expenditure is incurred for which both restricted and unrestricted fund balance is available should first reduce restricted fund balance and then unrestricted fund balance. The order of spending regarding unrestricted fund balance is that committed amounts should be reduced first, followed by the assigned amounts, and then the unassigned amounts when expenditures are incurred for purposes for which amounts in any of those restricted fund balance classification could be used.

In the General Fund, there shall be a minimum unassigned fund balance equivalent to ten percent of the current fiscal year expenditures less capital outlay. For purposes of this calculation, the expenditures shall be the current budget as originally adopted by ordinance in September for the subsequent year.

Governmental Funds - Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (other than those in Proprietary Funds) are accounted for through Governmental Funds. The measurement focus is on determination of financial position and changes in financial positions, rather than on net income determination. The following are the City's major governmental funds:

General Fund: The General Fund is the primary operating fund of the City and accounts for all financial transactions not accounted for in other funds. The general operating expenditures, finance charges, and capital improvement costs that are not paid through other funds are financed through revenue received by the General Fund.

Park Fund: This fund is used to account for the proceeds and interest on the City's park sales tax and park property tax. Included in this fund are expenditures for park improvements and maintenance.

½ Cent Sales Tax Fund: This fund is used to account for the proceeds and interest earnings on the City's transportation sales tax. Included in this fund are expenditures for street improvement and storm water abatement.

Debt Service Fund: This fund is used to account for the accumulation of resources for, and the payment of, the City's general obligation bonds. The principal source of revenue is property taxes.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Municipal Complex Fund: This fund is used to account for the proceeds of the capital improvement sales tax that is legally restricted to expenditures for capital improvements.

Proprietary Funds - Proprietary funds are used to account for the City's ongoing activities, which are similar to those found in the private sector. The measurement focus is on determination of net income, financial position, and changes in financial position. The following are the City's major proprietary funds:

Water Fund: This fund accounts for the acquisition, operation, and maintenance of the City's water facilities and services.

Wastewater Fund: This fund accounts for the acquisition, operation, and maintenance of the City's wastewater facilities and services.

Solid Waste Fund: This fund accounts for the operation of solid waste collection and disposal.

Basis of Accounting:

The term "basis of accounting" refers to the method in which revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. The term "basis of accounting" also relates to the timing of the measurement made, regardless of the measurement focus applied.

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, sales tax, and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. This is a similar approach to that used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Governmental Fund Financial Statements

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

In applying the susceptible to actual concept under the modified cash basis, certain revenue sources are deemed both measurable and available (collectible within the current year or within two months of year end and available to pay obligations of the current period). This includes investment earnings and state-levied locally shared taxes (including motor vehicle fees). Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made, or if the reimbursement is received in advance, the revenue is deferred until the expenditures are made.

Property taxes, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property taxes receivable are recorded and deferred until they become available.

Other revenue, including licenses and permits, certain charges for services, and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which have not matured are recognized when due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Fund Financial Statements

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource measurement focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment earnings, result from non-exchange transactions or ancillary activities.

In reporting the financial activity of its business-type activities and enterprise funds, the City applies all applicable Governmental Accounting Standards Board (GASB) pronouncements. Those include the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations; Accounting Principles Board Opinions; and Accounting Research Bulletins of the Committee on Accounting Policies.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Net Assets: These assets consist of cash and escrowed funds held in trust and cash held in a checking account. They are restricted as to use for cemetery care and maintenance and for debt service and bond reserves as provided by the bond resolutions.

Customer Deposits: The City collects a refundable deposit from a new customer prior to initiating metered service.

Accounts receivable: Accounts receivable result primarily from miscellaneous services provided to citizens accounted for in the Governmental Funds, and from water, wastewater, and sanitation services accounted for in their respective Business-type Funds.

Cash and Cash Equivalents: The City maintains and controls a cash pool in which a majority of the City's funds share. Each fund's portion of the pool is displayed on their respective balance sheet or statement of net assets as "Cash and cash equivalents". The City's cash and investments are primarily considered to be cash on hand, amounts in demand deposits, and certificates of deposits, which are recorded on the basic financial statements at cost, which approximates fair value. In addition, the City also maintains several trust accounts related to various reserves required for its bond issuance. These accounts are displayed on their respective balance sheet or statement of net assets as "Restricted cash and cash equivalents". For purposes of the statement of cash flows, short-term investments with a maturity date within three months of the date acquired by the City, if any, are considered cash equivalents.

Inventory: Inventory is stated at cost and consists of real estate developed for burial space and undeveloped real estate.

Prepaid items: Certain payments to vendors reflecting costs applicable to future accounting periods have been recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets: Capital assets, which include property, equipment, and infrastructure assets (i.e. roads, street lights, storm sewers, etc.) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In the governmental fund statements, capital assets are charged to expenditures as purchased, and capitalized in the proprietary fund statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair value as of the date of the donation.

Capital assets are defined by the City as assets with an initial, individual cost of \$1,500 or more and an estimated useful life of greater than one year. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets and is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	30 - 50 years
Vehicles	5 - 10 years
Equipment	5 - 10 years
Information systems	3 - 5 years
Office furniture and fixtures	3 - 5 years
Treatment facility	15 - 40 years
Production and transmission system	10 - 50 years

Compensated Absences: Under terms of the City's personnel policy, City employees are granted vacation and sick leave in varying amounts, depending upon years of employee service. Unused vacation days may be carried forward to the next period, up to a maximum of two times the employee's annual vacation hours earned. In the event of retirement or termination, an employee is paid for any vacation days that are unused.

Full-time employees are eligible to accrue sick leave at the rate of one eight-hour day per month of service, up to a maximum of 180 days. Sick leave benefits must be used by employees during their term of employment and are not paid to employees upon termination. Therefore, no liability for accumulated sick time is displayed on the City's basic financial statements.

Vested or accumulated vacation and sick time is accounted for as follows:

Governmental Funds - The accumulated liabilities for employee vacation time is recorded in the governmental activities column of the government-wide financial statements.

Proprietary Funds - The costs of vacation and sick pay are accrued in the respective funds as earned by City employees and recorded in the proprietary fund financial statements and the business-type activities column of the government-wide financial statements.

Deferred Revenue: Deferred revenue consists of revenues that are not expected to be received within sixty days of the year end.

Fund Equity Classifications: In the government-wide statements, equity is shown as net assets and classified into three components:

Invested in capital assets, net of related debt - Consisting of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bond, mortgage notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets - Consisting of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The City first utilizes restricted resources to finance qualifying activities.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unrestricted net assets - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Use of Estimates - The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - CASH AND CASH EQUIVALENTS

The City complies with various restrictions on deposits and investments which are imposed by state statutes as follows:

Custodial credit risk - The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The City’s policy is to collateralize the demand deposits with securities held by the financial institution’s agent and in the City’s name.

At September 30, 2012, the carrying amount of the City’s deposits was \$3,298,305 and the bank balance was \$3,349,282. Of the bank balance, \$250,000 was covered by federal depository insurance and \$3,099,282 was collateralized with securities held by the bank’s trust department in the City’s name. Accordingly, management has determined that none of the City’s deposits were exposed to custodial credit risk as of September 30, 2012.

Missouri state statutes authorize the City, with certain restrictions, to deposit or invest in open accounts, time deposits, U.S. Treasury notes, and certificates of deposit. Collateral is required by Missouri state statutes for demand deposits and certificates of deposit. The fair value of the collateral must equal 100% of deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are governed by state statutes and include U.S. government and government agency bonds and securities, general obligation bonds of any of the fifty states, general obligation bonds of any Missouri county and certain cities and special districts and revenue bonds of certain Missouri agencies.

Cash and cash equivalents are pooled and interest income earned is allocated to the various funds on the basis of average month-end cash pooled investment balances.

Interest rate risk - The interest rate risk for investments is the risk that changes in interest rates may adversely affect the fair value of an investment. The City does not have a formal policy regarding the management of interest rate risk on its investments.

Concentration of credit risk - Concentration of credit risk is the risk loss attributed to the magnitude of a government’s investment in a single issuer. The City does not have a formal policy regarding the concentration of credit risk.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE C - RESTRICTED ASSETS

Cash and cash equivalents are restricted for the following purposes:

Proprietary Funds	
Water fund:	
Customer deposits	\$ 194,466
2001 Water replacement account	97,787
Series 2001 Water Bonds:	
Principal retirement	135,000
Interest retirement	15,906
	443,159
Wastewater fund:	
Series 1992 Sewer Bonds:	
Principal account	93,750
Interest account	3,904
Debt service account	1,825
	99,479
Total Proprietary funds	\$ 542,638

NOTE D - UTILITIES RECEIVABLES

Utilities receivable represent user-based charges for services provided to the City's customers. Net receivables at September 30, 2012 were as follows:

	Total Receivables	Allowance	Net Receivables
Business-type activities:			
Major enterprise funds:			
Water	\$ 226,350	\$ 2,800	\$ 223,550
Wastewater	234,341	3,487	230,854
Solid waste	40,506	600	39,906
Total	\$ 501,197	\$ 6,887	\$ 494,310

NOTE E - TAXES RECEIVABLE

Property taxes are levied and recorded each November 1 on the assessed value as of the prior January 1 for all property located in the City, and are delinquent on January 1 (the lien date) following the levy date. The assessed value of local property at October 1, 2011, on which the fiscal year ended September 30, 2012 levy was based, was \$57,807,764.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE E - TAXES RECEIVABLE (continued)

The City is permitted by the Missouri State Constitution to levy (without a vote of two-thirds of the voting electorate) taxes up to \$1.00 per \$100 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt. The City's property tax levies per \$100 of the assessed valuation for the year in which the revenues were earned were as follows:

<u>Fund</u>	<u>Levy</u>
General	\$ 0.6228
Park	0.1556
Debt Service	<u>0.5443</u>
Total	<u>\$ 1.3227</u>

Taxes receivable represent the collectible ad valorem taxes, local sales taxes and franchise taxes. Adjustments have been made during the year to remove any uncollectible accounts. Management believes that the remaining receivables will be collected in the next fiscal year. Balances at September 30, 2012 were as follows:

	<u>General</u>	<u>Park</u>	<u>1/2 Cent</u>	<u>Debt</u>	<u>Municipal</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Sales Tax</u>	<u>Service</u>	<u>Complex</u>	
			<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	
Property tax	\$ 18,408	\$ 4,599	\$ -	\$ 16,088	\$ -	\$ 39,095
Sales tax	139,018	32,420	64,841	-	32,420	268,699
Franchise taxes	56,974	-	-	-	-	56,974
	<u>\$214,400</u>	<u>\$ 37,019</u>	<u>\$ 64,841</u>	<u>\$ 16,088</u>	<u>\$ 32,420</u>	<u>\$364,768</u>

NOTE F - INSURANCE

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance to cover these risks.

NOTE G - COMMITMENTS AND CONTINGENCIES

Federal and State Grants

The City has received financial assistance from various federal, state and local agencies in the form of grants and entitlements. These programs are subject to audit by agents of the granting authority. Management does not believe that liabilities for reimbursements, if any, will have a materially adverse effect upon the financial condition of the City.

Purchase Commitment

On September 18, 2012, the City entered into a contract for street overlay projects not to exceed \$268,577. As of September 30, 2012, no costs had been incurred on this contract.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE H - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended September 30, 2012.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassification</u>	<u>Ending Balance</u>
Governmental activities:				
Nondepreciable assets:				
Land and land rights	\$ 345,250	\$ 40,027	\$ -	\$ 385,277
Construction in progress	8,188	35,046	43,234	-
Total capital assets, not being depreciated	<u>353,438</u>	<u>75,073</u>	<u>43,234</u>	<u>385,277</u>
Depreciable capital assets:				
Buildings and improvements	11,736,478	785,236	415,249	12,106,465
Vehicles	716,347	32,700	137,486	611,561
Equipment	2,900,573	49,749	303,892	2,646,430
Information systems	395,095	-	200,715	194,380
Office furniture and fixtures	114,487	2,411	39,190	77,708
Total capital assets being depreciated	<u>15,862,980</u>	<u>870,096</u>	<u>1,096,532</u>	<u>15,636,544</u>
Less accumulated depreciation:				
Buildings and improvements	1,266,862	342,903	415,249	1,194,516
Vehicles	694,825	13,961	137,486	571,300
Equipment	2,479,293	93,672	303,892	2,269,073
Information systems	355,757	22,037	200,715	177,079
Office furniture and fixtures	90,877	14,671	39,190	66,358
Total accumulated depreciation	<u>4,887,614</u>	<u>487,244</u>	<u>1,096,532</u>	<u>4,278,326</u>
Total capital assets being depreciated, net	<u>10,975,366</u>	<u>382,852</u>	<u>-</u>	<u>11,358,218</u>
Governmental activities capital assets, net	<u>\$ 11,328,804</u>	<u>\$ 457,925</u>	<u>\$ 43,234</u>	<u>\$ 11,743,495</u>

Depreciation expense was charged to the governmental activities as follows:

Administration	\$ 152,079
Public safety	91,638
Public works	130,101
Community development	697
Cemetery, parks and recreation	112,729
	<u>\$ 487,244</u>

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE H - CAPITAL ASSETS (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassification</u>	<u>Ending Balance</u>
Business-type activities:				
Nondepreciable assets:				
Land and land rights	\$ 184,486	\$ 201,000	\$ -	\$ 385,486
Construction in progress	<u>98,511</u>	<u>291,076</u>	<u>29,192</u>	<u>360,395</u>
Total capital assets, not being depreciated	<u>282,997</u>	<u>492,076</u>	<u>29,192</u>	<u>745,881</u>
Capital assets, being depreciated:				
Buildings and improvements	38,768	752	-	39,520
Vehicles	494,622	-	40,984	453,638
Equipment	325,135	17,080	11,543	330,672
Information systems	33,407	-	-	33,407
Treatment facility	4,929,479	29,192	-	4,958,671
Production and transmission system	<u>11,249,134</u>	<u>-</u>	<u>-</u>	<u>11,249,134</u>
Total capital assets being depreciated	<u>17,070,545</u>	<u>47,024</u>	<u>52,527</u>	<u>17,065,042</u>
Less accumulated depreciation:				
Buildings and improvements	32,716	274	-	32,990
Vehicles	484,063	9,111	40,984	452,190
Equipment	255,745	18,204	11,543	262,406
Information systems	32,710	293	-	33,003
Treatment facility	2,925,836	146,292	-	3,072,128
Production and transmission system	<u>2,804,399</u>	<u>274,754</u>	<u>-</u>	<u>3,079,153</u>
Total accumulated depreciation	<u>6,535,469</u>	<u>448,928</u>	<u>52,527</u>	<u>6,931,870</u>
Total capital assets being depreciated, net	<u>10,535,076</u>	<u>(401,904)</u>	<u>-</u>	<u>10,133,172</u>
Business-type activities capital assets, net	<u>\$ 10,818,073</u>	<u>\$ 90,172</u>	<u>\$ 29,192</u>	<u>\$ 10,879,053</u>

Depreciation expense was charged to the business-type activities as follows:

Water	\$ 194,908
Wastewater	253,413
Solid waste	<u>607</u>
	<u>\$ 448,928</u>

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE I - RETIREMENT PLAN

A. Plan Description

The City of Richmond participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries.

LAGERS was created and is governed by statute, section RSMo. 70.600 - 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax exempt.

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

B. Funding Status

Full-time employees of the City of Richmond do not contribute to the pension plan. The June 30th statutorily required contribution rates are 9.6% (General), 13.9% (Police) and 11.1% (Fire) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

C. Annual Pension Cost (APC) and Net Pension Obligation (NPO)

The subdivision's annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution	\$ 181,229
Interest on net pension obligation	115
Adjustment to annual required pension	<u>(111)</u>
Annual pension cost	181,233
Actual contributions	<u>180,685</u>
Increase (decrease) in NPO	548
NPO beginning of year	<u>1,584</u>
NPO end of year	<u><u>\$ 2,132</u></u>

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE I - RETIREMENT PLAN (continued)

The annual required contribution (ARC) was determined as part of the February 29, 2009 and February 28, 2010 annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2012 included: (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy table set back 0 years for men and 0 years for women and (e) post retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The amortization period as of February 29, 2009 was 30 years for the General division, 22 years for the Police division and 30 years for the Fire division. The amortization period as of February 28, 2010 was 20 years for the General division, 26 years for the Police division and 25 years for the Fire division.

Three-Year Trend Information			
Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 172,562	100.0%	\$ -
2011	158,352	99.0%	1,584
2012	181,233	99.7%	2,132

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE J - LONG-TERM DEBT

Changes in long-term debt during the year ended September 30, 2012 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amount due within one year</u>
Governmental Activities:					
General obligation bonds	\$ 2,485,000	\$ -	\$ 145,000	\$ 2,340,000	\$ 165,000
Notes payable	11,852	300,000	13,837	298,015	294,378
Lease purchases	4,515,180	-	190,819	4,324,361	93,305
Compensated absences	<u>75,454</u>	<u>4,609</u>	<u>-</u>	<u>80,063</u>	<u>80,063</u>
Total Governmental Activities	<u>\$ 7,087,486</u>	<u>\$ 304,609</u>	<u>\$ 349,656</u>	<u>\$ 7,042,439</u>	<u>\$ 632,746</u>
Business-Type Activities:					
Waterworks & Sewerage Bonds	\$ 2,640,000	\$ -	\$ 315,000	\$ 2,325,000	\$ 330,000
Notes payable	22,012	-	8,018	13,994	6,720
Compensated absences	<u>34,443</u>	<u>4,124</u>	<u>-</u>	<u>38,567</u>	<u>38,567</u>
Total Business-Type Activities	<u>\$ 2,696,455</u>	<u>\$ 4,124</u>	<u>\$ 323,018</u>	<u>\$ 2,377,561</u>	<u>\$ 375,287</u>

The compensated absences liability attributable to governmental activities will be liquidated primarily by the General Fund.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE J - LONG-TERM DEBT (continued)

Governmental activities long-term debt consists of the following:

General obligation bonds:

Series 2011 General Obligation Bonds due in varying annual installments through March 1, 2024, interest of 3.00% to 4.00%	\$ <u>2,340,000</u>
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Notes payable:

Note payable to bank, secured, due in monthly installments of \$5,533 through July 16, 2013, interest at 4.00%	291,018
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Note payable to finance company due in annual installments of \$3,898 through November 22, 2013, interest at 8.25%, secured by equipment	6,997
	\$ <u>298,015</u>

Lease purchases:

Lease purchase for municipal complex with bank, due in monthly installments of \$23,144 through July 1, 2015, interest at 4.25%.	\$ <u>4,324,361</u>
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Business-type activities long-term debt consists of the following:

Revenue bonds:

Series 1992 A State Environmental Improvement and Energy Resources Authority Water Pollution Control Revenue Bonds due in varying annual installments through January 2013, interest of 6.45% to 6.55%	\$ 125,000
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Series 2001 A State Environmental Improvement and Energy Resources Authority Water Pollution Control Revenue Bonds due in varying annual installments through January 2021, interest of 4.00% to 5.00%	1,875,000
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Series 2004 A Waterworks & Sewerage Revenue Bonds, due in varying annual installments through June 2023, interest of 3.375% to 5.00%	325,000
	\$ <u>2,325,000</u>

Notes payable:

Note payable to finance company, due in annual installments of \$7,913 through November 22, 2013, interest at 8.25%, secured by equipment	\$ <u>13,994</u>
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CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE J - LONG-TERM DEBT (continued)

Debt service requirements to maturity are:

Year Ending September 30,	Governmental Activities							
	G.O. Bonds		Notes Payable		Lease Purchases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 165,000	\$ 75,606	\$ 294,378	\$ 9,578	\$ 93,305	\$ 182,785	\$ 552,683	\$ 267,969
2014	170,000	70,582	3,637	297	100,624	177,148	274,261	248,027
2015	175,000	65,407	-	-	4,130,432	144,265	4,305,432	209,672
2016	185,000	60,007	-	-	-	-	185,000	60,007
2017	190,000	54,381	-	-	-	-	190,000	54,381
2018	205,000	48,456	-	-	-	-	205,000	48,456
2019	210,000	41,181	-	-	-	-	210,000	41,181
2020	220,000	32,581	-	-	-	-	220,000	32,581
2021	235,000	24,304	-	-	-	-	235,000	24,304
2022	240,000	16,466	-	-	-	-	240,000	16,466
2023	255,000	7,885	-	-	-	-	255,000	7,885
2024	90,000	1,631	-	-	-	-	90,000	1,631
Total	\$ 2,340,000	\$ 498,487	\$ 298,015	\$ 9,875	\$ 4,324,361	\$ 504,198	\$ 6,962,376	\$ 1,012,560

Year Ending September 30,	Business-Type Activities					
	Revenue Bonds		Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 330,000	\$ 105,111	\$ 6,720	\$ 1,160	\$ 336,720	\$ 106,271
2014	210,000	91,855	7,274	603	217,274	92,458
2015	220,000	82,110	-	-	220,000	82,110
2016	225,000	71,740	-	-	225,000	71,740
2017	235,000	61,034	-	-	235,000	61,034
2018	245,000	49,601	-	-	245,000	49,601
2019	255,000	37,375	-	-	255,000	37,375
2020	260,000	24,500	-	-	260,000	24,500
2021	275,000	11,250	-	-	275,000	11,250
2022	35,000	3,500	-	-	35,000	3,500
2023	35,000	1,750	-	-	35,000	1,750
Total	\$ 2,325,000	\$ 539,826	\$ 13,994	\$ 1,763	\$ 2,338,994	\$ 541,589

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE J - LONG-TERM DEBT (continued)

Revolving Loan Fund

In accordance with the agreement between various public entities (including the City of Richmond) and the State Environmental Improvement and Energy Resources Authority (the Authority), the City issued the Series 1992A and 2001A revenue bonds. In connection with the City's issuance of these revenue bonds, the City participates in a revolving loan program established by the Department of Natural Resources (DNR). The revolving fund, which consists of 83.33% federal dollars and 16.67% state dollars, is designed to serve as a guarantee for local municipalities' sewer revenue bond financing. The State of Missouri manages and invests the bond proceeds on behalf of the City. As the City incurs approved capital expenditures, DNR reimburses the City for the expenditure from the bond proceeds account and deposits an additional 50% of the expenditure amount in a Bond Reserve Fund in the City's name and is held as a guarantee against the debt. Interest earned from this reserve fund can be used by the City to fund interest payment on the revenue bonds. For the year ended September 30, 2012, interest earnings from the 1992A and 2001A reserve funds totaled \$35,969. The reserve fund is transferred back to the State as bond issues are retired. The costs of operation and maintenance of the system and debt service is payable from Wastewater and Water Fund operating revenues.

Notes payable

At September 30, 2012 the City had promissory note obligations outstanding, all of which were used to purchase equipment for various city departments and improvements to a parking lot. For those notes recorded in the governmental fund, the City records the present value of the note obligation as capital outlay expenditure and as an offsetting other financing source in the year that the asset is purchased. At the government-wide level, the present value of payments due in future periods, along with the net carrying value of the related capital assets, are recorded as liabilities and assets, respectively, in the governmental activities column of the Statement of Net Assets. For those notes recorded in proprietary funds, the City records the present value of the future debt payments as a liability and the related capital item as an asset of the fund.

Lease purchases

The City has entered into a lease purchase agreement with a bank to finance the construction of a new municipal complex. On July 18, 2008 the lease purchase agreement was amended to provide an additional \$1 million to complete the construction.

The assets acquired through capital leases are as follows:

	Governmental Activities
Building	\$ 3,611,326
Less: Accumulated depreciation	(323,515)
Total	\$ 3,287,811

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE K - FUND BALANCES

The following is a summary of the Governmental Fund balances of the City for the year ended September 30, 2012.

<u>Classification/Fund</u>	<u>Purpose</u>	
Nonspendable:		
General Fund	Inventory	\$ 67,038
General Fund	Prepaid expenses	15,805
Park	Prepaid expenses	997
Cemetery trust fund	Cemetery	<u>98,273</u>
Total Nonspendable		<u>182,113</u>
Restricted:		
Park	Capital improvements	168,947
Police training	Police training	41,127
1/2 cent sales tax	Capital improvements	104,469
Debt service	Debt payments	<u>275,741</u>
Total Restricted		<u>590,284</u>
Committed:		
1/2 cent sales tax	Street improvements	<u>268,577</u>
Unassigned:		
General Fund		739,965
Municipal complex		<u>(341,092)</u>
Total Unassigned		<u>398,873</u>
Total Fund Balances		<u>\$ 1,439,847</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RICHMOND, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		(NEGATIVE)
REVENUES:				
Sales tax	\$ 955,000	\$ 955,000	\$ 955,159	\$ 159
Property tax	358,600	358,600	387,475	28,875
Franchise tax	611,500	611,500	607,534	(3,966)
Licenses and permits	38,450	38,950	36,509	(2,441)
Other local taxes	292,500	292,500	276,734	(15,766)
Fines, tickets and fees	134,235	134,235	163,748	29,513
Charges for services	162,690	165,190	194,655	29,465
Grants	30,000	30,000	10,265	(19,735)
Interest revenue	10,200	10,200	15,566	5,366
Miscellaneous	27,605	24,605	33,671	9,066
Total Revenues	<u>2,620,780</u>	<u>2,620,780</u>	<u>2,681,316</u>	<u>60,536</u>
EXPENDITURES:				
Administration	353,905	356,462	282,707	73,755
Public safety	1,394,981	1,400,151	1,365,353	34,798
Public works	294,151	262,951	233,981	28,970
Community development	123,585	136,585	135,459	1,126
Cemetery, parks and recreation	292,468	287,171	254,085	33,086
Capital outlay	66,000	87,061	60,401	26,660
Debt service:				
Principal	4,479	4,711	4,852	(141)
Interest and fees	523	290	291	(1)
Total Expenditures	<u>2,530,092</u>	<u>2,535,382</u>	<u>2,337,129</u>	<u>198,253</u>
Other financing sources (uses):				
Proceeds from sale of property	-	-	600	600
Transfers	(58,000)	(58,000)	(52,476)	5,524
Total other financings sources (uses)	<u>(58,000)</u>	<u>(58,000)</u>	<u>(51,876)</u>	<u>6,124</u>
Net change in fund balance	<u>\$ 32,688</u>	<u>\$ 27,398</u>	292,311	<u>\$ 264,913</u>
Fund balance, beginning of year - budgetary basis			<u>517,959</u>	
Fund balance, end of year - budgetary basis			810,270	
GAAP adjustments:				
Receivables:				
Taxes			197,008	
Other			444	
Accounts payable			(91,552)	
Accrued payroll and benefits			<u>(93,362)</u>	
Fund balances, end of year - GAAP basis			<u>\$ 822,808</u>	

See accompanying notes to the required supplementary information.

**CITY OF RICHMOND, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - PARK FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		(NEGATIVE)
REVENUES:				
Sales tax	\$ 220,000	\$ 220,000	\$ 225,249	\$ 5,249
Property tax	82,600	82,600	91,629	9,029
Charges for services	2,000	2,000	2,974	974
Interest revenue	375	375	651	276
Total Revenues	304,975	304,975	320,503	15,528
EXPENDITURES:				
Parks	116,330	124,800	109,349	15,451
Capital outlay	400,000	641,530	618,782	22,748
Debt service:				
Principal	67,500	117,500	112,456	5,044
Interest and fees	7,500	8,500	8,231	269
Total Expenditures	591,330	892,330	848,818	43,512
Other financing sources (uses):				
Loan proceeds	300,000	300,000	300,000	-
Net change in fund balance	\$ 13,645	\$ (287,355)	(228,315)	\$ 59,040
Fund balance, beginning of year - budgetary basis			371,575	
Fund balance, end of year - budgetary basis			143,260	
GAAP adjustments:				
Receivables:				
Taxes			32,420	
Accounts payable			(3,247)	
Accrued payroll and benefits			(2,489)	
Fund balances, end of year - GAAP basis			\$ 169,944	

See accompanying notes to the required supplementary information.

CITY OF RICHMOND, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - 1/2 CENT SALES TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>BUDGET</u>		<u>ACTUAL</u>	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(NEGATIVE)</u>
REVENUES:				
Sales tax	\$ 449,400	\$ 449,400	\$ 450,563	\$ 1,163
Interest revenue	<u>360</u>	<u>360</u>	<u>676</u>	<u>316</u>
Total Revenues	<u>449,760</u>	<u>449,760</u>	<u>451,239</u>	<u>1,479</u>
EXPENDITURES:				
Public works	-	-	114,988	(114,988)
Capital outlay	<u>409,570</u>	<u>492,570</u>	<u>508,206</u>	<u>(15,636)</u>
Total Expenditures	<u>409,570</u>	<u>492,570</u>	<u>623,194</u>	<u>(130,624)</u>
Net change in fund balance	<u>\$ 40,190</u>	<u>\$ (42,810)</u>	(171,955)	<u>\$ (129,145)</u>
Fund balance, beginning of year - budgetary basis			<u>484,901</u>	
Fund balance, end of year - budgetary basis			312,946	
GAAP adjustments:				
Receivables:				
Taxes			64,841	
Accounts payable			<u>(4,741)</u>	
Fund balances, end of year - GAAP basis			<u>\$ 373,046</u>	

See accompanying notes to the required supplementary information.

CITY OF RICHMOND, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - MUNICIPAL COMPLEX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>BUDGET</u>		<u>ACTUAL</u>	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(NEGATIVE)</u>
REVENUES:				
Sales tax	\$ 224,500	\$ 224,500	\$ 225,254	\$ 754
EXPENDITURES:				
Debt service:				
Principal	90,000	87,320	87,319	1
Interest and fees	<u>187,731</u>	<u>190,412</u>	<u>190,411</u>	<u>1</u>
Total Expenditures	<u>277,731</u>	<u>277,732</u>	<u>277,730</u>	<u>2</u>
Excess (deficiency) of revenues over expenditures	(53,231)	(53,232)	(52,476)	756
Other financing sources:				
Transfers	<u>58,000</u>	<u>58,000</u>	<u>52,476</u>	<u>(5,524)</u>
Net change in fund balance	<u>\$ 4,769</u>	<u>\$ 4,768</u>	-	<u>\$ (4,768)</u>
Fund balance, beginning of year - budgetary basis			<u>(373,512)</u>	
Fund balance, end of year - budgetary basis			(373,512)	
GAAP adjustments:				
Receivables:				
Taxes			<u>32,420</u>	
Fund balances, end of year - GAAP basis			<u>\$ (341,092)</u>	

See accompanying notes to the required supplementary information.

CITY OF RICHMOND, MISSOURI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2012

Budgetary Process

The City follows the following procedures in establishing the budgetary data reflected in the basic financial statements:

1. As declared by ordinance, the City Administrator is the budget officer and prepares the proposed operating budget for the fiscal year commencing the following October 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1st, the budget is legally enacted through the passage of an ordinance.
4. The legal level of control for the budget is at the fund level, and City management can not amend the budget without approval of the City Council. However, the City Administrator has the authority to transfer budgeted amounts between departments within any fund. The City Council must approve any revisions that alters the total budgeted expenditures of any fund. Unexpended appropriations lapse at year end.

Budgets are prepared on the cash basis of accounting (budgetary basis), in which revenues are recognized when collected and expenditures are recognized when paid. The reported budgetary data represent both the original and final approved budgets as adopted by the City Council.

Budget Compliance

For the year ended September 30, 2012, the ½ Cent Sales Tax Fund expenditures of \$623,194 exceeded the budgeted expenditures of \$492,570 by \$130,624.

**CITY OF RICHMOND, MISSOURI
SCHEDULE OF FUNDING PROGRESS - RETIREMENT PLAN
SEPTEMBER 30, 2012**

Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/29/2010	\$ 1,699,168	\$ 2,258,867	\$ 559,699	75%	\$ 1,842,203	30%
2/28/2011	1,878,726	2,361,536	482,810	80%	1,577,322	31%
2/29/2012	2,253,956	2,541,805	287,849	89%	1,632,103	18%

NOTE: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2011 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

SUPPLEMENTARY INFORMATION

**CITY OF RICHMOND, MISSOURI
 COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2012**

	<u>SPECIAL REVENUE FUND</u>	<u>PERMANENT FUND</u>	<u>TOTAL OTHER GOVERNMENTAL FUNDS</u>
	<u>POLICE TRAINING</u>	<u>CEMETERY TRUST</u>	
ASSETS			
Cash and cash equivalents	\$ 41,292	\$ 98,273	\$ 139,565
LIABILITIES AND FUND BALANCES			
Liabilities	\$ 165	\$ -	\$ 165
Fund balances:			
Nonspendable	-	98,273	98,273
Restricted	<u>41,127</u>	<u>-</u>	<u>41,127</u>
Total Fund Balances	<u>41,127</u>	<u>98,273</u>	<u>139,400</u>
Total Liabilities and Fund Balances	<u>\$ 41,292</u>	<u>\$ 98,273</u>	<u>\$ 139,565</u>

CITY OF RICHMOND, MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	SPECIAL REVENUE FUND	PERMANENT FUND	TOTAL OTHER GOVERNMENTAL FUNDS
	POLICE TRAINING	CEMETERY FUND	
REVENUES:			
Fines, tickets and fees	\$ 6,032	\$ -	\$ 6,032
Charges for services	-	1,418	1,418
Interest revenue	88	211	299
Total Revenues	6,120	1,629	7,749
EXPENDITURES:			
Public safety	3,343	-	3,343
Cemetery	-	210	210
Total Expenditures	3,343	210	3,553
Excess (deficiency) of revenues over expenditures	2,777	1,419	4,196
Fund balance, beginning of year	38,350	96,854	135,204
Fund balance, end of year	\$ 41,127	\$ 98,273	\$ 139,400

INTERNAL CONTROL AND COMPLIANCE

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the City Council
City of Richmond, Missouri

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Richmond as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 5, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 12-1 and 12-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to administration in a separate letter dated February 5, 2013.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of administration, the City Council, and others within the City, and is not intended to be and should not be used by anyone other than these specified parties.

Westbrook & Co., P.C.

February 5, 2013

**CITY OF RICHMOND, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

MATERIAL WEAKNESSES

12-1 - SEGREGATION OF DUTIES - CASH RECEIPTS

Condition: The Collector's office receives the payments for the utility billings, property taxes, licenses and fees, deposits these monies, and has the ability to make adjustments to accounts.

Criteria: A fundamental principle of proper internal control requires that the individual that controls the asset be a different person than the individual who performs the asset record keeping.

Cause: Accounting duties for cash receipts are not properly segregated.

Effect: Lack of segregation of duties could allow errors or fraud to occur and go undetected.

Recommendation: We recommend that the City review their accounting procedures and segregate duties over cash receipts to provide internal controls.

Auditee's Response: We are aware of this situation. We believe that short of creating two distinct and separate offices, i.e. Collections and Billings, it would be virtually impossible to remove the Collector's ability to make adjustments. All utility billing adjustments are approved/disapproved by the City Administrator before they are posted to the accounting system (Summit) by the Collector. To reduce the risk of the Collector posting improper adjustments, the Finance Director reconciles the monthly adjustments report from Summit to the adjustment request forms that are approved by the City Administrator.

12-2 - UTILITY BILLING

Condition: The City does not have monthly accounting procedures to reconcile the amounts billed for utilities to amounts collected and reported in the general ledger.

Criteria: The City should have accounting procedures to provide controls over utility billings and collections.

Cause: Internal control procedures over utility billings have not been implemented by the City.

Effect: Inadequate accounting controls over utility billings could allow errors or fraud to occur and go undetected.

Recommendation: We recommend that the City implement monthly accounting procedures to provide a reconciliation of the amounts billed to amounts collected and reported on the general ledger.

Auditee's Response: We are aware of this situation. While we do not reconcile closely, the Finance Director and City Administrator monitor the monthly receipts for all accounts very closely. We believe that we would detect any significant anomalies in our utility receipts. We also believe an additional person would be required to track and account for and reconcile each of our revenue accounts. We do not believe the added expense would justify the benefit.