

CITY OF RICHMOND, MISSOURI

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

FOR THE YEAR ENDED SEPTEMBER 30, 2016

**CITY OF RICHMOND, MISSOURI
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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Richmond, Missouri

Report on the Financial Statements

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 City of Richmond, Missouri, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 City of Richmond, Missouri, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, sources of changes in the net pension liability and schedule of contributions on pages 3 through 14 and 46 through 53 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2016, 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 and other matters. 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Westbrook & Co., P.C.

Richmond, Missouri
December 29, 2016



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, 2016. Please read this section in conjunction with the City's financial statements, which follow this section.

Financial Highlights

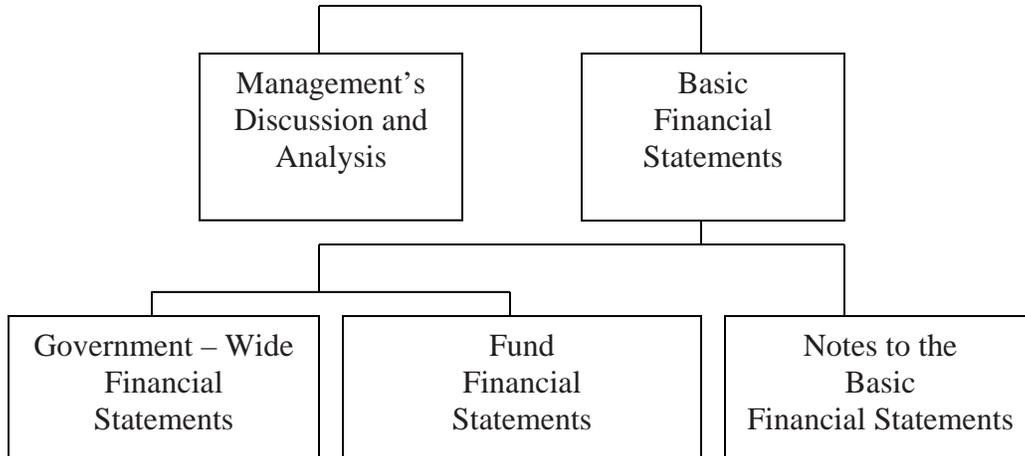
- The assets of the City of Richmond exceeded its liabilities by \$19,197,988. Of this amount, \$14,405,930 represents the City's net investment in capital assets; \$776,819 is restricted for debt service and \$102,567 is restricted for perpetual care. There is \$744,282 of net position unrestricted for governmental activities and \$3,168,390 of net position unrestricted for business-type activities.
- The City's total net position increased \$389,557.
- The City's long-term debt decreased approximately \$670,000 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 → 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 additional information that further explain and support 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 Position 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 method 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 position and change in net position. You can think of the City's net position - 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 position are indicators 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 streets, to assess the overall health of the City.

To aid in understanding 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 Position 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 (police and fire), animal control, court, streets, cemetery, economic development, community development, parks and recreation. Taxes (sales, property, franchise, and other local taxes), licenses, permits, charges for services, fines, fees, 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 Position 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 Position 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 position (Figure 1) and change in net position (Figure 2) of the governmental and business-type activities.

Figure 1

	City of Richmond's Net Position					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Assets:						
Current & other assets	\$ 2,575,543	\$ 3,332,642	\$ 3,939,374	\$ 3,569,203	\$ 6,514,917	\$ 6,901,845
Capital assets, net	<u>10,564,711</u>	<u>10,962,496</u>	<u>18,493,952</u>	<u>18,907,629</u>	<u>29,058,663</u>	<u>29,870,125</u>
Total assets	<u>13,140,254</u>	<u>14,295,138</u>	<u>22,433,326</u>	<u>22,476,832</u>	<u>35,573,580</u>	<u>36,771,970</u>
Deferred outflows of resources	<u>481,208</u>	<u>195,875</u>	<u>160,530</u>	<u>77,271</u>	<u>641,738</u>	<u>273,146</u>
Liabilities:						
Other liabilities	582,588	1,075,088	794,107	824,419	1,376,695	1,899,507
Long-term liabilities	<u>5,521,793</u>	<u>5,825,744</u>	<u>10,079,712</u>	<u>10,472,576</u>	<u>15,601,505</u>	<u>16,298,320</u>
Total liabilities	<u>6,104,381</u>	<u>6,900,832</u>	<u>10,873,819</u>	<u>11,296,995</u>	<u>16,978,200</u>	<u>18,197,827</u>
Deferred inflows of resources	<u>25,312</u>	<u>30,869</u>	<u>13,818</u>	<u>7,989</u>	<u>39,130</u>	<u>38,858</u>
Net position:						
Net investment in capital assets	6,383,957	6,670,112	8,021,973	7,743,930	14,405,930	14,414,042
Restricted	363,530	361,860	515,856	515,834	879,386	877,694
Unrestricted	<u>744,282</u>	<u>527,340</u>	<u>3,168,390</u>	<u>2,989,355</u>	<u>3,912,672</u>	<u>3,516,695</u>
Total net position	<u>\$ 7,491,769</u>	<u>\$ 7,559,312</u>	<u>\$ 11,706,219</u>	<u>\$ 11,249,119</u>	<u>\$ 19,197,988</u>	<u>\$ 18,808,431</u>

Net position may serve over time as a useful indicator of a government's financial position. As shown in Figure 1, the City's combined net position increased to \$19,197,988 from \$18,808,431 as a result of the increase in net position reflected in Figure 2. For the years ended September 30, 2016 and 2015, net position of the City changed as follows:

Figure 2

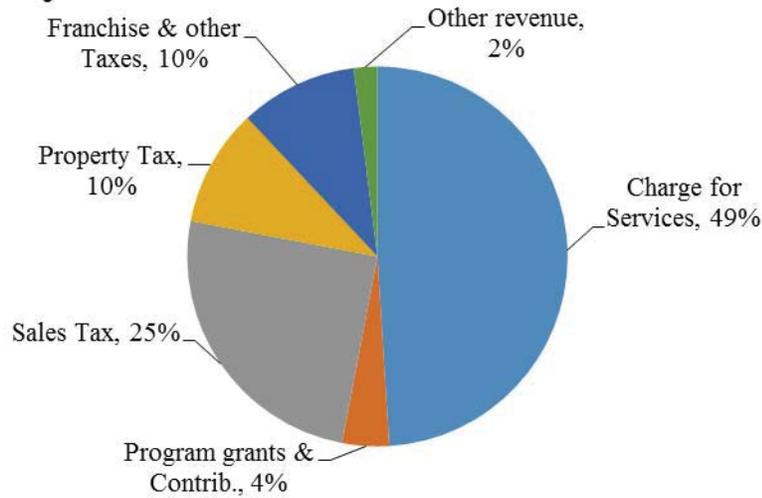
City of Richmond's Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues:						
Charges for services	\$ 500,427	\$ 429,728	\$ 3,474,520	\$ 3,326,822	\$ 3,974,947	\$ 3,756,550
Operating grants and contributions	29,318	20,263	13,297	-	42,615	20,263
Capital grants	339,513	664,695	-	418,300	339,513	1,082,995
General Revenues:						
Property taxes	775,692	736,942	-	-	775,692	736,942
Sales tax	1,977,238	1,924,768	-	-	1,977,238	1,924,768
Franchise and other taxes	841,798	870,189	-	-	841,798	870,189
Interest revenue	23,646	18,438	30,089	33,985	53,735	52,423
Other revenue	53,852	7,116	22,136	22,911	75,988	30,027
Total Revenues	4,541,484	4,672,139	3,540,042	3,802,018	8,081,526	8,474,157
Special item - loss on abandonment	-	-	-	(2,666,961)	-	(2,666,961)
Total Revenues and Special item	4,541,484	4,672,139	3,540,042	1,135,057	8,081,526	5,807,196
Expenses						
Administration	817,424	1,127,447	-	-	817,424	1,127,447
Public safety	1,711,501	1,586,344	-	-	1,711,501	1,586,344
Public works	1,029,143	493,546	-	-	1,029,143	493,546
Community development	170,881	168,629	-	-	170,881	168,629
Cemetery, parks, & recreation	662,079	581,588	-	-	662,079	581,588
Interest long-term debt	217,999	228,845	-	-	217,999	228,845
Water	-	-	1,279,440	1,211,907	1,279,440	1,211,907
Wastewater	-	-	1,527,209	1,178,294	1,527,209	1,178,294
Solid Waste	-	-	276,293	260,347	276,293	260,347
Total Expenses	4,609,027	4,186,399	3,082,942	2,650,548	7,691,969	6,836,947
Change in net position	(67,543)	485,740	457,100	(1,515,491)	389,557	(1,029,751)
Beginning net position	7,559,312	7,073,572	11,249,119	12,764,610	18,808,431	19,838,182
Ending net position	\$ 7,491,769	\$ 7,559,312	\$ 11,706,219	\$ 11,249,119	\$ 19,197,988	\$ 18,808,431

For the fiscal year ended September 30, 2016, government-wide revenues totaled \$8,081,526. Approximately 49% of all revenues are from charges for services, and 25% is from sales tax. See Figure 3.

Figure 3

City of Richmond - Sources of Revenue

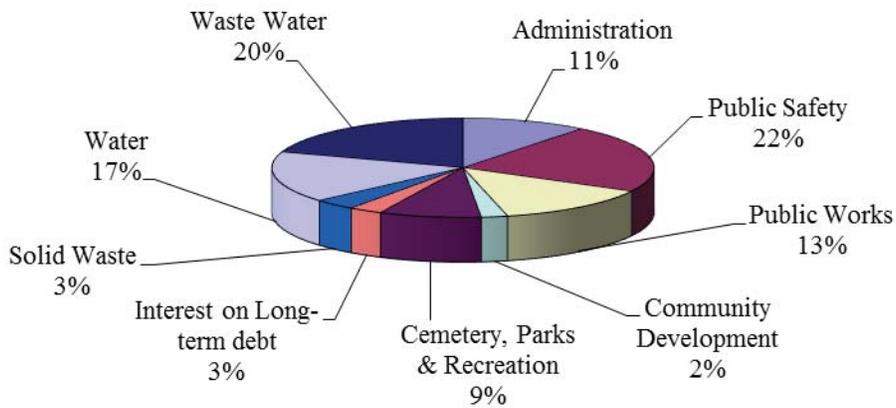


Charges for services are derived from users of the City’s programs such as governmental programs and from fees from the users of the City’s solid waste, water and wastewater operations.

The next largest revenue source for the entire City is sales tax. During the 2016 fiscal year sales tax revenues were \$1,977,238. The City of Richmond has a 1% sales tax to fund general governmental activities, a .5% sales tax for transportation improvements, a .25% sales tax to finance the municipal complex, and a .25% sales tax for parks.

Figure 4

City of Richmond - Functional Expenses



The City's expenses cover a range of services. As shown in Figure 4, approximately 40% of all City expenses during the 2016 fiscal year were related to the three business-type activities, solid waste, water and wastewater. The second largest expenditure in 2016 was public safety at 22%. Public safety is comprised of the police department, the fire department, animal control and dispatch.

Governmental Activities

Governmental activities decreased the City's net position by \$67,543. For the fiscal year ended September 30, 2016, revenues totaled \$8,081,526 (governmental and business-type). Revenues from governmental activities were \$4,541,484 or 56% of the total city revenue.

Certain revenues are generated that are specific to governmental program activities. These totaled \$869,258. Figure 5 shows expenses and program revenues of the governmental activities for the years ended September 30, 2016 and 2015:

Figure 5

Net Cost of City of Richmond's Governmental Activities						
	2016			2015		
	<u>Cost of Services</u>	<u>Program Revenue</u>	<u>Net Cost of Services</u>	<u>Cost of Services</u>	<u>Program Revenue</u>	<u>Net Cost of Services</u>
Administration	\$ 817,424	\$ 338,763	\$ 478,661	\$ 1,127,447	\$ 692,042	\$ 435,405
Public Safety	1,711,501	282,695	1,428,806	1,586,344	230,842	1,355,502
Public Works	1,029,143	7,737	1,021,406	493,546	-	493,546
Community Development	170,881	69,785	101,096	168,629	33,350	135,279
Cemetery, Parks & Recreation	662,079	170,278	491,801	581,588	158,452	423,136
Interest on long-term debt	<u>217,999</u>	<u>-</u>	<u>217,999</u>	<u>228,845</u>	<u>-</u>	<u>228,845</u>
Total	<u>\$ 4,609,027</u>	<u>\$ 869,258</u>	<u>\$ 3,739,769</u>	<u>\$ 4,186,399</u>	<u>\$ 1,114,686</u>	<u>\$ 3,071,713</u>

As noted in Figure 5, expenses from governmental activities totaled \$4,609,027. However, the net cost of these services was \$3,739,769. The difference represents direct revenues from charges for services of \$500,427, grants and contributions of \$29,318 and capital grants of \$339,513. Taxes and other revenues were collected to cover these net costs.

Business-Type Activities

Business-type activities increased the City's net position by \$457,100. Key elements of the change in net position are as follows:

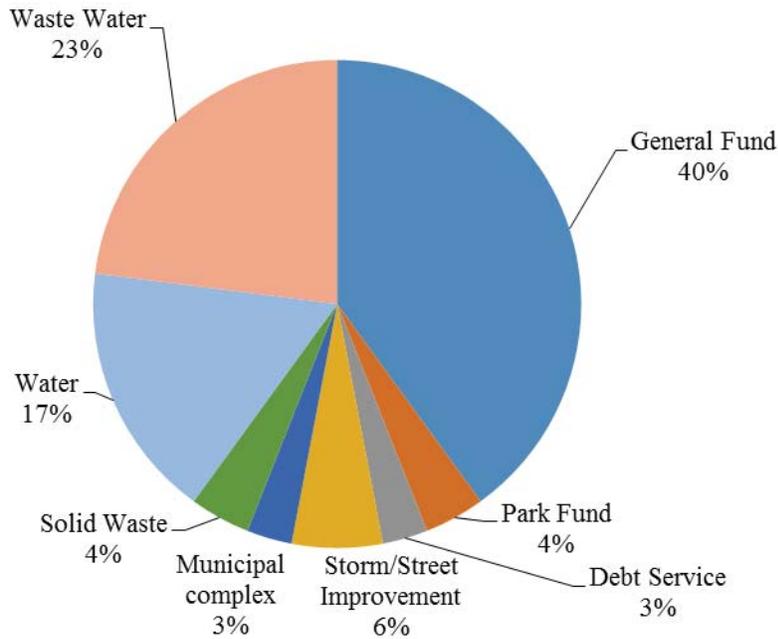
- Solid waste operating revenue decreased \$865 from the prior year, and operating expenses increased \$15,946. Last year the solid waste fund net position increased \$21,938. This year the solid waste fund net position increased \$10,880. The solid waste operating revenue remained fairly consistent with prior year, and operating expenses increased, primarily due to hiring companies to grind the trees and limbs at the compost site and dispose of the mulch.
- Water operating revenue increased \$67,340 from the prior year, and operating expenses increased \$77,661. Last year the Water Fund net position increased \$119,379. This year the Water Fund net position increased \$111,638. The increase in Water operating revenue was due primarily to an increase in the Wastewater Plant's water usage due to a large leak and the water connection charge for the Harvest Hills Villas. Nearly half the increase in Water operating expenses was due to more waterline repair and waterline replacement expenses.
- Wastewater operating revenue increased \$81,223 from the prior year, and operating expenses increased \$40,106. Last year the Wastewater Fund net position decreased \$1,656,808. This year the Wastewater Fund net position increased \$334,582. The increase in the Wastewater operating revenue was due to additional gallons billed throughout the year and the sewer connection charge for the Harvest Hills Villas. The increase in the Wastewater operating expenses was due to depreciation on the upgraded Wastewater Treatment Plant. The decrease in Wastewater net position in FY15 was due to a loss on abandonment of obsolete capital assets due to the replacement of these assets during the renovations at the south wastewater treatment plant. The City was conservative with Wastewater expenditures in FY16 due to it being the first full fiscal year of operation since the City completed the upgrade and modernization of the Wastewater Treatment Plant in spring 2015. The increase in Wastewater net position in FY16 was due to the City's conservative spending.

Financial Analysis of the City's Funds

The City of Richmond's governmental funds reported combined ending fund balances of \$2,259,795, an increase of \$94,294 over the prior year. This increase to the total fund balance is a result of sound financial management and holding expenses to a minimum during the 2016 fiscal year. The fund balance of the General Fund by itself increased \$109,427 in fiscal year 2016. The increase in the fund balance was due to careful management of all activities. Last year the General Fund decreased \$304,042. This decrease was due to the transfer from the General Fund to the Municipal Complex Fund to eliminate the Municipal Complex Fund deficit balance that existed since 2006.

Figure 6

City of Richmond - Revenue by Fund



Budgetary Highlights

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

- ❖ Total original revenue budget for the General Fund of \$2,964,655 increased to \$3,556,875. The increase was due to the following:
 - ❖ \$586,725 Early Childhood CDBG Grant revenue (pass-through grant)
 - ❖ \$4,750 Police won giveaway drawing from MoDOT
 - ❖ \$745 Insurance proceeds for damaged police vehicle
- ❖ Total original expense budget for the General Fund of \$3,074,404 increased to \$3,669,844. The increase was due to the following:
 - ❖ \$586,725 Early Childhood CDBG Grant expense (pass-through grant)
 - ❖ \$6,970 Police won giveaway drawing from MoDOT and used an additional \$2,200 of City funds to purchase equipment
 - ❖ \$1,745 Repair damaged police vehicle (\$1,000 deductible)

The actual amounts for the General Fund on the budgetary basis was \$3,428,113 in revenue versus \$3,380,635 in expenses and transfers. The net change to the General Fund balance at the end of the year on the budgetary basis is an increase of \$47,478.

Capital Assets and Debt Administration

The fiscal year 2016 capital asset activity for governmental activities included the following expenditures:

- 5/7 of the GIS mapping of the streets for Administration, Police, Fire, Streets, and Community Development
- Card access system for City Hall front entryway
- Three surveillance cameras for City Hall
- 2014 Dodge Charger for the Police Department
- In-car camera for the Police Department
- Jaws of Life for the Fire Department (donated)
- 1/2 of the 2009 Ford F150 regular cab pickup for the Streets Department
- Fabric canopy awning for the City Gym entrance
- Play structure for a pocket park by the Fire Station
- Pave walking trail at Southview Park
- Begin work on the development of Hamann Park
- Begin work on the TAP Grant/STP Funds Highway 13 Sidewalk project

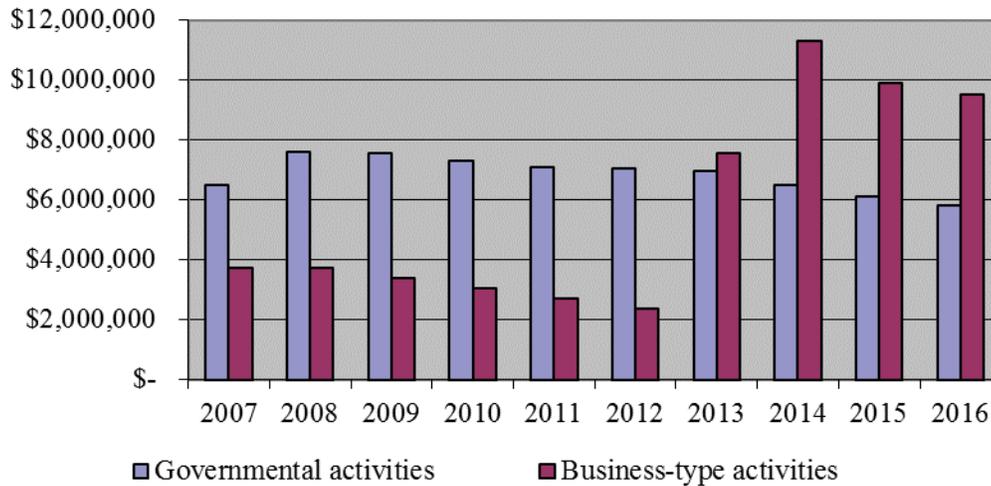
The year's major capital asset activity for business-type activities included the following expenditures:

- Lenox air handler and heat pump for the main building for the Water Plant
- Well #3 50HP 480V motor for the Water Plant
- Well #5 60HP 460V motor for the Water Plant
- Well #3 50HP VFD and VFD control for the Water Plant
- 1/2 of the 2009 Ford F150 regular cab pickup for Water Distribution
- 4 inch self-priming trash water pump for Water Distribution
- 2005 Vermeer hydro vac excavator for Water Distribution
- Shorelite trench boxes for shoring for Water Distribution and Wastewater
- Complete GIS mapping the water distribution system
- 2/7 of the GIS mapping of the streets for Water Distribution and Wastewater
- Six Mueller A423 water hydrants for Water Distribution
- Complete rerouting the 10-13 lift station force main and upsize the lift station

In fiscal year 2016, long-term debt for the governmental activities decreased \$295,182. Long-term debt for the business-type activities decreased \$394,882. In total, long-term debt outstanding and other liabilities for governmental and business-type activities decreased by \$690,064.

Figure 7

City of Richmond Long-Term Debt



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

Waterline repairs and replacement, clearwell, water tower, and water tank testing and rehabilitation, water well rehabilitation and/or replacement, wastewater line rehabilitation, addressing I&I, and manhole repair and upgrades continue to be a critical need.

In fiscal year 2016, the City completed pigging of the raw water line. The project totaled approximately \$68,000 over the past two fiscal years. A significant increase in water flow has been noted. The average well hours per day have decreased and the average gallons of raw water pumped to the water plant have increased.

In addition, the pump on Well No. 5 was rehabbed, Well No. 3 was cleaned, and a variable frequency controller was added to Well No. 3 so we can control flow from this well much better. All the wells had line voltage service protection installed to prevent motor burnout if/when line voltage surges occur.

Water distribution crews replaced several service lines and moved water meters as close to the street/curb as possible. Some 14 connections on North Thornton were moved from an old main that constantly developed leaks to a new main which eliminated the leak problems and significantly improved service to those customers. This was contractor work, which cost approximately \$55,000.

In fiscal year 2016, the City completed the upsizing of the 10-13 lift station and the rerouting of the force main. The project totaled approximately \$117,500 over the past two fiscal years.

The City expects to spend \$20,000 to rehab one water well, \$140,000 for sludge removal at the water plant lagoons, \$10,000 to inspect and clean the clearwell, water tower, and water tank, \$85,000 on water meter replacement, \$80,000 on waterline replacement, and \$150,000 on wastewater line and manhole rehab in the upcoming year.

The citizens of Richmond approved three tax issues in 2016. The first was in April 2016 for the continuation of the sales tax collection when licensing a motor vehicle purchase from other than a Missouri Dealer. Next, the citizens approved the Use Tax in August 2016. The Use Tax will be collected for the same funds that the Sales Tax is collected for. The increase in revenue will help complete more projects in the future. Lastly, the citizens approved the ½ cent Transportation Tax with no sunset in November 2016. This tax generates approximately \$500,000 per year and is used for transportation purposes including street improvements and related storm water improvements.

The City entered into a contract with the Rural Fire District. The contract calls for 40% of their tax revenue collected to be paid for fire support in the District, plus they will pay for maintenance, repairs, and insurance on District owned vehicles.

The Park Board budgeted to spend \$600,000 on the development of Hamann Park in the fiscal year 2017 budget. The new park will be a tremendous asset to the City of Richmond.

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 POSITION
SEPTEMBER 30, 2016

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 1,940,893	\$ 2,361,258	\$ 4,302,151
Receivables, net:			
Taxes	389,039	-	389,039
Accounts	-	493,379	493,379
Grants	4,471	-	4,471
Other	22,669	-	22,669
Accrued interest	-	4,934	4,934
Prepaid expenses	24,266	8,430	32,696
Restricted cash and cash equivalents	-	962,620	962,620
Inventory	66,442	-	66,442
Net pension asset	127,763	109,163	236,926
Capital assets, net	<u>10,564,711</u>	<u>18,493,952</u>	<u>29,058,663</u>
Total Assets	<u>13,140,254</u>	<u>22,433,736</u>	<u>35,573,990</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	<u>481,208</u>	<u>160,530</u>	<u>641,738</u>
LIABILITIES			
Accounts payable	56,568	44,138	100,706
Accrued payroll and benefits	71,289	26,548	97,837
Accrued interest	43,008	71,996	115,004
Customer deposits	4,055	228,773	232,828
Noncurrent liabilities:			
Net pension liability	-	410	410
Due within one year	407,668	422,652	830,320
Due in more than one year	<u>5,521,793</u>	<u>10,079,712</u>	<u>15,601,505</u>
Total Liabilities	<u>6,104,381</u>	<u>10,874,229</u>	<u>16,978,610</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	<u>25,312</u>	<u>13,818</u>	<u>39,130</u>
NET POSITION			
Net investment in capital assets	6,383,957	8,021,973	14,405,930
Restricted for:			
Perpetual care	102,567	-	102,567
Debt service	260,963	515,856	776,819
Unrestricted	<u>744,282</u>	<u>3,168,390</u>	<u>3,912,672</u>
Total Net Position	<u>\$ 7,491,769</u>	<u>\$ 11,706,219</u>	<u>\$ 19,197,988</u>

See accompanying notes to the basic financial statements.

**CITY OF RICHMOND, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental activities:							
Administration	\$ 817,424	\$ 35,063	\$ 975	\$ 302,725	\$ (478,661)	\$ -	\$ (478,661)
Public safety	1,711,501	229,393	21,035	32,267	(1,428,806)	-	(1,428,806)
Public works	1,029,143	-	5,737	2,000	(1,021,406)	-	(1,021,406)
Community development	170,881	69,785	-	-	(101,096)	-	(101,096)
Cemetery, parks and recreation	662,079	166,186	1,571	2,521	(491,801)	-	(491,801)
Interest on long-term debt	217,999	-	-	-	(217,999)	-	(217,999)
Total governmental activities	<u>4,609,027</u>	<u>500,427</u>	<u>29,318</u>	<u>339,513</u>	<u>(3,739,769)</u>	<u>-</u>	<u>(3,739,769)</u>
Business-type activities:							
Water	1,279,440	1,351,154	-	-	-	71,714	71,714
Wastewater	1,527,209	1,842,286	7,577	-	-	322,654	322,654
Solid waste	276,293	281,080	5,720	-	-	10,507	10,507
Total business-type activities	<u>3,082,942</u>	<u>3,474,520</u>	<u>13,297</u>	<u>-</u>	<u>-</u>	<u>404,875</u>	<u>404,875</u>
Total primary government	<u>\$ 7,691,969</u>	<u>\$ 3,974,947</u>	<u>\$ 42,615</u>	<u>\$ 339,513</u>	<u>(3,739,769)</u>	<u>404,875</u>	<u>(3,334,894)</u>
General revenues:							
Property tax					775,692	-	775,692
Sales tax					1,977,238	-	1,977,238
Other local taxes					286,463	-	286,463
Franchise taxes					555,335	-	555,335
Interest revenue					23,646	30,089	53,735
Other revenue					53,852	22,136	75,988
Total General revenue					<u>3,672,226</u>	<u>52,225</u>	<u>3,724,451</u>
Change in net position					(67,543)	457,100	389,557
Net position, beginning of year					7,559,312	11,249,119	18,808,431
Net position, end of year					<u>\$ 7,491,769</u>	<u>\$ 11,706,219</u>	<u>\$ 19,197,988</u>

See accompanying notes to the basic financial statements.

CITY OF RICHMOND, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	GENERAL	PARK	1/2 CENT TRANSPORTATION SALES TAX	DEBT SERVICE	MUNICIPAL COMPLEX	OTHER GOVERNMENTAL FUNDS	TOTALS GOVERNMENTAL FUNDS
ASSETS							
Cash and cash equivalents	\$ 703,678	\$ 281,392	\$ 577,433	\$ 260,963	\$ 4	\$ 117,423	\$ 1,940,893
Receivables, net:							
Taxes	228,647	40,822	70,127	14,380	35,063	-	389,039
Grants	2,471	-	2,000	-	-	-	4,471
Other	22,669	-	-	-	-	-	22,669
Inventory	66,442	-	-	-	-	-	66,442
Prepaid expenses	22,924	1,342	-	-	-	-	24,266
Total Assets	\$ 1,046,831	\$ 323,556	\$ 649,560	\$ 275,343	\$ 35,067	\$ 117,423	\$ 2,447,780
LIABILITIES							
Accounts payable	\$ 44,547	\$ 8,921	\$ 3,100	\$ -	\$ -	\$ -	\$ 56,568
Accrued liabilities	67,993	3,029	267	-	-	-	71,289
Municipal court bonds	4,055	-	-	-	-	-	4,055
Total Liabilities	116,595	11,950	3,367	-	-	-	131,912
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property taxes	23,070	5,759	-	14,380	-	-	43,209
Unavailable revenue - other	10,864	-	2,000	-	-	-	12,864
Total Deferred Inflows of Resources	33,934	5,759	2,000	14,380	-	-	56,073
FUND BALANCES							
Nonspendable	89,366	1,342	-	-	-	102,567	193,275
Committed	-	44,844	120,695	-	-	-	165,539
Restricted	25,000	259,661	523,498	260,963	35,067	14,856	1,119,045
Unassigned	781,936	-	-	-	-	-	781,936
Total Fund Balances	896,302	305,847	644,193	260,963	35,067	117,423	2,259,795
Total liabilities, deferred inflows of resources and fund balances	\$ 1,046,831	\$ 323,556	\$ 649,560	\$ 275,343	\$ 35,067	\$ 117,423	\$ 2,447,780

See accompanying notes to the financial statements.

CITY OF RICHMOND, MISSOURI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

Fund Balances - Total Governmental Funds \$ 2,259,795

Amounts reported for governmental activities in the Statement of Net Position 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	\$ 16,581,341	
Less: accumulated depreciation	<u>(6,016,630)</u>	10,564,711

Net pension asset 127,763

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore are not reported in the governmental funds, as follows:

Deferred outflows of resources	481,208	
Deferred inflows of resources	<u>(25,312)</u>	455,896

Certain revenues are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the governmental funds. 56,073

Repayment of long-term debt principal is an expenditure in the governmental funds but it reduces long-term liabilities in the Statement of Net Position.

General obligation bonds	(1,645,000)	
Lease purchases	<u>(4,180,754)</u>	(5,825,754)

Liabilities for compensated absences are recognized only when paid in the governmental fund statements but are accrued in the government-wide statements. (103,707)

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

Accrued interest		<u>(43,008)</u>
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Net Position of Governmental Activities **\$ 7,491,769**

**CITY OF RICHMOND, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	GENERAL	PARK	1/2 CENT TRANSPORTATION SALES TAX	DEBT SERVICE	MUNICIPAL COMPLEX	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:							
Sales tax	\$ 986,068	\$ 247,545	\$ 496,078	\$ -	\$ 247,547	\$ -	\$ 1,977,238
Property tax	428,021	100,188	-	250,603	-	-	778,812
Franchise tax	555,335	-	-	-	-	-	555,335
Licenses and permits	91,380	-	-	-	-	-	91,380
Other local taxes	286,463	-	-	-	-	-	286,463
Fines, tickets and fees	152,591	-	-	-	-	5,989	158,580
Charges for services	173,026	2,374	-	-	-	1,121	176,521
Grants	323,539	-	-	-	-	-	323,539
Interest revenue	19,692	746	2,057	793	56	302	23,646
Other revenue	132,066	710	-	-	-	-	132,776
Total Revenues	<u>3,148,181</u>	<u>351,563</u>	<u>498,135</u>	<u>251,396</u>	<u>247,603</u>	<u>7,412</u>	<u>4,504,290</u>
EXPENDITURES:							
Administration	657,415	-	-	4,793	-	-	662,208
Public safety	1,560,390	-	-	-	-	5,981	1,566,371
Public works	290,437	-	586,431	-	-	-	876,868
Community development	163,146	-	-	-	-	-	163,146
Cemetery, parks and recreation	293,784	213,615	-	-	-	259	507,658
Capital outlay	50,876	64,778	2,500	-	-	-	118,154
Debt service:							
Principal	11,630	-	-	185,000	100,000	-	296,630
Interest and fees	936	-	-	61,056	156,969	-	218,961
Total Expenditures	<u>3,028,614</u>	<u>278,393</u>	<u>588,931</u>	<u>250,849</u>	<u>256,969</u>	<u>6,240</u>	<u>4,409,996</u>
Excess (deficiency) of revenues over expenditures	119,567	73,170	(90,796)	547	(9,366)	1,172	94,294
Other financing sources (uses):							
Transfers	(10,140)	-	-	-	10,140	-	-
Net change in fund balances	109,427	73,170	(90,796)	547	774	1,172	94,294
Fund balance, beginning of year	786,875	232,677	734,989	260,416	34,293	116,251	2,165,501
Fund balance, end of year	<u>\$ 896,302</u>	<u>\$ 305,847</u>	<u>\$ 644,193</u>	<u>\$ 260,963</u>	<u>\$ 35,067</u>	<u>\$ 117,423</u>	<u>\$ 2,259,795</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 OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Net Change in Fund Balances - Total Governmental Funds \$ 94,294

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	\$ 118,154	
Depreciation expense	<u>(548,206)</u>	(430,052)

Donation of capital assets increase net assets in the Statement of Activities, but do not appear in the governmental funds, because they are not financial resources		32,267
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Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		(65,123)
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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 position.

Principal payments	296,630	
Accrued interest	<u>962</u>	297,592

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

Change in unavailable revenue - property taxes	(3,121)	
Change in unavailable revenue - grants	2,000	
Change in unavailable revenue - other	<u>6,048</u>	4,927

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:

Compensated absences payable		<u>(1,448)</u>
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Change in Net Position of Governmental Activities **\$ (67,543)**

CITY OF RICHMOND, MISSOURI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016

	<u>WATER</u>	<u>WASTEWATER</u>	<u>SOLID WASTE</u>	<u>TOTALS</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,002,016	\$ 1,221,193	\$ 138,049	\$ 2,361,258
Receivables, net	182,109	271,485	39,785	493,379
Accrued interest	4,934	-	-	4,934
Prepaid expenses	4,926	3,504	-	8,430
Total current assets	<u>1,193,985</u>	<u>1,496,182</u>	<u>177,834</u>	<u>2,868,001</u>
Noncurrent assets:				
Restricted cash and cash equivalents	592,508	370,112	-	962,620
Net pension asset	52,153	57,010	-	109,163
Capital assets, net	3,698,143	14,779,986	15,823	18,493,952
Total noncurrent assets	<u>4,342,804</u>	<u>15,207,108</u>	<u>15,823</u>	<u>19,565,735</u>
Total assets	<u>5,536,789</u>	<u>16,703,290</u>	<u>193,657</u>	<u>22,433,736</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	<u>86,609</u>	<u>72,043</u>	<u>1,878</u>	<u>160,530</u>
LIABILITIES				
Current liabilities:				
Current portion of long-term debt	205,000	187,267	-	392,267
Accounts payable	22,168	21,152	818	44,138
Customer deposits payable	228,773	-	-	228,773
Accrued interest	13,729	58,267	-	71,996
Accrued liabilities:				
Payroll and benefits	16,464	9,694	390	26,548
Compensated absences	10,034	20,351	-	30,385
Total current liabilities	<u>496,168</u>	<u>296,731</u>	<u>1,208</u>	<u>794,107</u>
Noncurrent liabilities:				
Bonds payable	910,000	9,169,712	-	10,079,712
Net pension liability	-	-	410	410
Total noncurrent liabilities	<u>910,000</u>	<u>9,169,712</u>	<u>410</u>	<u>10,080,122</u>
Total liabilities	<u>1,406,168</u>	<u>9,466,443</u>	<u>1,618</u>	<u>10,874,229</u>
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	<u>7,686</u>	<u>5,906</u>	<u>226</u>	<u>13,818</u>
NET POSITION				
Net investment in capital assets	2,583,143	5,423,007	15,823	8,021,973
Restricted for debt service	163,818	352,038	-	515,856
Unrestricted	1,462,583	1,527,939	177,868	3,168,390
Total net position	<u>\$ 4,209,544</u>	<u>\$ 7,302,984</u>	<u>\$ 193,691</u>	<u>\$ 11,706,219</u>

See accompanying notes to the basic financial statements.

CITY OF RICHMOND, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>WATER</u>	<u>WASTEWATER</u>	<u>SOLID WASTE</u>	<u>TOTALS</u>
Operating revenues:				
Charges for services	\$ <u>1,351,154</u>	\$ <u>1,842,286</u>	\$ <u>281,080</u>	\$ <u>3,474,520</u>
Operating expenses:				
Personnel services	423,034	345,924	37,720	806,678
Contractual services	180,488	317,000	228,596	726,084
Materials and supplies	408,638	80,316	8,611	497,565
Depreciation	196,975	404,223	1,366	602,564
Other operating expenses	<u>7,789</u>	<u>374</u>	<u>-</u>	<u>8,163</u>
Total operating expenses	<u>1,216,924</u>	<u>1,147,837</u>	<u>276,293</u>	<u>2,641,054</u>
Operating income	<u>134,230</u>	<u>694,449</u>	<u>4,787</u>	<u>833,466</u>
Nonoperating revenues (expenses):				
Interest income	26,250	3,466	373	30,089
Grant revenues	-	7,577	5,720	13,297
Interest expense and fees	(62,516)	(379,372)	-	(441,888)
Other revenue	<u>13,674</u>	<u>8,462</u>	<u>-</u>	<u>22,136</u>
Total nonoperating revenues (expenses)	<u>(22,592)</u>	<u>(359,867)</u>	<u>6,093</u>	<u>(376,366)</u>
Net income	111,638	334,582	10,880	457,100
Net position, beginning of year	<u>4,097,906</u>	<u>6,968,402</u>	<u>182,811</u>	<u>11,249,119</u>
Net position, end of year	<u>\$ 4,209,544</u>	<u>\$ 7,302,984</u>	<u>\$ 193,691</u>	<u>\$ 11,706,219</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, 2016

	ENTERPRISE FUNDS			TOTALS
	WATER	WASTEWATER	SOLID WASTE	
Cash flows from operating activities:				
Cash receipts from customers	\$ 1,383,635	\$ 1,850,217	\$ 282,770	\$ 3,516,622
Cash payments to suppliers	(590,824)	(401,634)	(253,131)	(1,245,589)
Cash paid to employees	<u>(413,531)</u>	<u>(338,654)</u>	<u>(37,382)</u>	<u>(789,567)</u>
Net cash provided (used) by operating activities	<u>379,280</u>	<u>1,109,929</u>	<u>(7,743)</u>	<u>1,481,466</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(80,225)	(108,662)	-	(188,887)
Grant revenue	-	7,577	5,720	13,297
Principal paid on revenue bonds	(200,000)	(192,402)	-	(392,402)
Interest and fees paid on debt	<u>(64,891)</u>	<u>(379,955)</u>	<u>-</u>	<u>(444,846)</u>
Net cash used in capital and related financing activities	<u>(345,116)</u>	<u>(673,442)</u>	<u>5,720</u>	<u>(1,012,838)</u>
Cash flows from investing activities:				
Interest received on cash accounts	26,984	3,466	373	30,823
Other receipts	<u>13,674</u>	<u>8,462</u>	<u>-</u>	<u>22,136</u>
Net cash provided by investing activities	<u>40,658</u>	<u>11,928</u>	<u>373</u>	<u>52,959</u>
Net increase (decrease) in cash and cash equivalents	74,822	448,415	(1,650)	521,587
Cash and cash equivalents, beginning of year	<u>1,519,702</u>	<u>1,142,890</u>	<u>139,699</u>	<u>2,802,291</u>
Cash and cash equivalents, end of year	<u>\$ 1,594,524</u>	<u>\$ 1,591,305</u>	<u>\$ 138,049</u>	<u>\$ 3,323,878</u>
Cash and cash equivalents	\$ 1,002,016	\$ 1,221,193	\$ 138,049	\$ 2,361,258
Restricted cash and cash equivalents	<u>592,508</u>	<u>370,112</u>	<u>-</u>	<u>962,620</u>
Cash and cash equivalents, end of year	<u>\$ 1,594,524</u>	<u>\$ 1,591,305</u>	<u>\$ 138,049</u>	<u>\$ 3,323,878</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 134,230	\$ 694,449	\$ 4,787	\$ 833,466
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	196,975	404,223	1,366	602,564
Pension expense	36,901	28,355	1,085	66,341
Changes in assets, deferred outflows of resources and liabilities:				
(Increase) decrease in receivables	32,481	7,931	1,690	42,102
(Increase) decrease in prepaid expenses	(858)	(914)	-	(1,772)
(Increase) decrease in deferred outflows of resources for pensions	(18,479)	(14,612)	(328)	(33,419)
Increase (decrease) in accounts payable	1,036	(3,030)	(15,924)	(17,918)
Increase (decrease) in compensated absences	(2,360)	(120)	-	(2,480)
Increase (decrease) in payroll and benefits	(6,559)	(6,353)	(419)	(13,331)
Increase in customer deposits payable	<u>5,913</u>	<u>-</u>	<u>-</u>	<u>5,913</u>
Net cash provided (used) by operating activities	<u>\$ 379,280</u>	<u>\$ 1,109,929</u>	<u>\$ (7,743)</u>	<u>\$ 1,481,466</u>

See accompanying notes to the basic financial statements.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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: The City's reporting entity includes the City's governing board and all related organizations. The combined financial statements of the City include all organizations that raise and hold economic resources for the direct benefit of the City. The City has implemented GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. GASB Statement No. 61 amended GASB Statement No. 14. GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity.

The City has determined that no other outside agency meets the criteria set forth in GASB Statement No. 61 and, therefore, no other agency has been included as a component unit in the City's financial statements.

Basis of Presentation: The City's basic financial statements consist of government-wide statements, including a statement of net position 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 position 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, 2016

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 Transportation 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, 2016

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. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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, 2016

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, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows/Inflows of Resources: This separate financial statement element, *deferred inflows of resources*, represents an inflow of resources that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds has one type of item, which arises under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes and billing and licensing. These amounts are deferred and recognized as in inflow of resources in the period that the amounts become available. The governmental funds also has one type of item, which arises under the accrual basis of accounting that qualifies for reporting in this category.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has one item that meets this criterion, contributions made to the pension plan in the 2016 fiscal year. In addition to liabilities, the statement of net position will sometimes report a separate section for *Deferred Inflows of Resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. They City has one item that meets this criterion, deferrals of pension expense that result from the implementation of GASB Statement 68.

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 position as "Cash and cash equivalents". 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 position 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.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position 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

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Missouri Local Government Employees Retirement System (LAGERS) and additions to/deductions from LAGERS fiduciary net position have been determined on the same basis as they are reported by LAGERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Net investment in capital assets - 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 position - Consisting of net position 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.

Unrestricted net position - All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

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, 2016, the carrying amount of the City’s deposits was \$5,100,948 and the bank balance was \$5,208,420. Of the bank balance, \$250,000 was covered by federal depository insurance and \$4,958,420 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, 2016.

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.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE B - CASH AND CASH EQUIVALENTS (continued)

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.

NOTE C - RESTRICTED ASSETS

Cash and cash equivalents are restricted for the following purposes:

Proprietary Funds	
Water fund:	
Customer deposits	\$ 228,673
Replacement accounts	200,017
Series 2001 Water Bonds:	
Principal retirement	153,750
Interest retirement	10,068
	592,508
Wastewater fund:	
Replacement account	18,074
Series 2013 Sewer Bonds:	
Principal retirement	90,000
Interest retirement	117,091
Series 2014 Sewer Bonds:	
Principal retirement	80,000
Interest retirement	57,709
Waterworks & Sewerage Revenue	
Bonds, Series A:	
Debt service reserve	7,238
	370,112
Total Proprietary funds	\$ 962,620

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE D - UTILITIES RECEIVABLES

Utilities receivable represent user-based charges for services provided to the City's customers. Net receivables at September 30, 2016 were as follows:

	<u>Total</u>	<u>Allowance</u>	<u>Net</u>
	<u>Receivables</u>		<u>Receivables</u>
Business-type activities:			
Major enterprise funds:			
Water	\$ 184,909	\$ 2,800	\$ 182,109
Wastewater	283,985	12,500	271,485
Solid waste	<u>40,385</u>	<u>600</u>	<u>39,785</u>
Total	<u>\$ 509,279</u>	<u>\$ 15,900</u>	<u>\$ 493,379</u>

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, 2015, on which the fiscal year ended September 30, 2016 levy was based, was \$60,544,445.

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	\$ 0.6494
Park	0.1621
Debt Service	<u>0.4048</u>
Total	<u>\$ 1.2163</u>

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE E - TAXES RECEIVABLE (continued)

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, 2016 were as follows:

	General Fund	Park Fund	1/2 Cent Transportation Sales Tax Fund	Debt Service Fund	Municipal Complex Fund	Total
Property tax	\$ 23,070	\$ 5,759	\$ -	\$ 14,380	\$ -	\$ 43,209
Sales tax	146,523	35,063	70,127	-	35,063	286,776
Franchise taxes	59,054	-	-	-	-	59,054
	<u>\$228,647</u>	<u>\$ 40,822</u>	<u>\$ 70,127</u>	<u>\$ 14,380</u>	<u>\$ 35,063</u>	<u>\$389,039</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 Commitments

On May 23, 2016, the City entered into an engineering contract for improvements at Charles Hamann Park. The total cost of this contract was \$58,800. As of September 30, 2016, the City still had \$44,844 of remaining costs related to the project.

On May 26, 2016, the City also entered into an engineering contract for the construction of a sidewalk. The total costs of this contract were \$123,195. As of September 30, 2016, the City still had \$120,695 of remaining engineering costs related to this project. The sidewalk is along Highway 13 and is a project funded by a TAP Grant and STP funds (80/20 match).

On August 5, 2016, the City entered into a contract to rehabilitate and repair the wastewater collection system with cured-in-place pipe. The total cost of the contract was \$128,288. As of September 30, 2016, no costs had been incurred on this project.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE H - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended September 30, 2016.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassification</u>	<u>Ending Balance</u>
Governmental activities:				
Nondepreciable assets:				
Land and land rights	\$ 432,578	\$ -	\$ -	\$ 432,578
Construction in progress	-	24,382	-	24,382
Total capital assets, not being depreciated	<u>432,578</u>	<u>24,382</u>	<u>-</u>	<u>456,960</u>
Depreciable capital assets:				
Buildings and improvements	12,463,566	35,383	-	12,498,949
Vehicles	608,226	23,892	-	632,118
Equipment	2,671,120	53,307	-	2,724,427
Information systems	177,642	13,457	-	191,099
Office furniture and fixtures	77,788	-	-	77,788
Total capital assets being depreciated	<u>15,998,342</u>	<u>126,039</u>	<u>-</u>	<u>16,124,381</u>
Less accumulated depreciation:				
Buildings and improvements	2,303,587	396,220	-	2,699,807
Vehicles	517,800	37,667	-	555,467
Equipment	2,402,319	107,531	-	2,509,850
Information systems	169,437	5,830	-	175,267
Office furniture and fixtures	75,281	958	-	76,239
Total accumulated depreciation	<u>5,468,424</u>	<u>548,206</u>	<u>-</u>	<u>6,016,630</u>
Total capital assets being depreciated, net	<u>10,529,918</u>	<u>(422,167)</u>	<u>-</u>	<u>10,107,751</u>
Governmental activities capital assets, net	<u>\$ 10,962,496</u>	<u>\$ (397,785)</u>	<u>\$ -</u>	<u>\$ 10,564,711</u>

Depreciation expense was charged to the governmental activities as follows:

Administration	\$ 152,901
Public safety	110,875
Public works	144,878
Community development	1,379
Cemetery, parks and recreation	138,173
	<u>\$ 548,206</u>

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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	\$ 385,486	\$ -	\$ -	\$ 385,486
Construction in progress	<u>31,884</u>	<u>106,886</u>	<u>138,770</u>	<u>-</u>
Total capital assets, not being depreciated	<u>417,370</u>	<u>106,886</u>	<u>138,770</u>	<u>385,486</u>
Capital assets, being depreciated:				
Buildings and improvements	46,998	5,500	-	52,498
Vehicles	516,966	5,381	-	522,347
Equipment	466,433	16,998	-	483,431
Information systems	64,608	26,633	-	91,241
Treatment facility	13,805,829	38,389	-	13,844,218
Production and transmission system	<u>9,192,919</u>	<u>127,870</u>	<u>-</u>	<u>9,320,789</u>
Total capital assets being depreciated	<u>24,093,753</u>	<u>220,771</u>	<u>-</u>	<u>24,314,524</u>
Less accumulated depreciation:				
Buildings and improvements	34,724	1,070	-	35,794
Vehicles	446,889	21,637	-	468,526
Equipment	191,002	51,722	-	242,724
Information systems	30,062	22,594	-	52,656
Treatment facility	1,521,214	310,910	-	1,832,124
Production and transmission system	<u>3,379,603</u>	<u>194,631</u>	<u>-</u>	<u>3,574,234</u>
Total accumulated depreciation	<u>5,603,494</u>	<u>602,564</u>	<u>-</u>	<u>6,206,058</u>
Total capital assets being depreciated, net	<u>18,490,259</u>	<u>(381,793)</u>	<u>-</u>	<u>18,108,466</u>
Business-type activities capital assets, net	<u>\$ 18,907,629</u>	<u>\$ (274,907)</u>	<u>\$ 138,770</u>	<u>\$ 18,493,952</u>

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

Water	\$ 196,975
Waste water	404,223
Solid waste	<u>1,366</u>
	<u>\$ 602,564</u>

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE I - RETIREMENT PLAN

Plan Description

The City of Richmond defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City of Richmond participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS 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 is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

Benefits Provided

LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 (55 for police and fire) with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 (50 for police and fire) and receive a reduced allowance.

2016 Valuation

Benefit Multiplier:	1.25%
Final Average Salary:	3 years
Member Contributions:	0%

Benefit terms provide for annual post retirement adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

Employees Covered by Benefit Terms

At June 30, 2016, the following employees were covered by the benefit terms:

Retirees and beneficiaries	33
Inactive, nonretired	38
Active employees	<u>53</u>
	<u>124</u>

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE I - RETIREMENT PLAN (continued)

Contributions

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the employer do not contribute to the pension plan. Employer contribution rates are 5.30% General, 13.00% Police and 4.30% Fire of annual covered payroll.

Net Pension Liability

The employer's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 29, 2016.

Actuarial Assumptions

The total pension liability in the February 29, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25% wage inflation; 2.50% price inflation
Salary increase	3.25% to 6.55% including wage inflation
Investment rate of return	7.25%, net of investment and administrative expenses

The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality table for males and females.

Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scaled to the above described tables.

The actuarial assumptions used in February 29, 2016 valuation were based on the 5-year experience study for the period March 1, 2010 through February 28, 2015.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE I - RETIREMENT PLAN (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	43.00%	5.29%
Fixed Income	26.00%	2.23%
Real Assets	21.00%	3.31%
Strategic Assets	10.00%	5.75%

Discount Rate

The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	1% Decrease <u>6.25%</u>	Current Single Discount Rate Assumption <u>7.25%</u>	1% Increase <u>8.25%</u>
Total Pension Liability (TPL)	\$ 5,865,317	\$ 5,058,256	\$ 4,406,029
Plan Fiduciary Net Position	<u>5,294,772</u>	<u>5,294,772</u>	<u>5,294,772</u>
Net Pension Liability/(Asset) (NPL)	<u>\$ 570,545</u>	<u>\$ (236,516)</u>	<u>\$ (888,743)</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2016 the employer recognized pension expense of \$285,653. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE I - RETIREMENT PLAN (continued)

	General		Police		Fire	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 30,829	\$ (36,642)	\$ 10,279	\$ (25,819)	\$ 4,633	\$ (14,568)
Changes in assumptions	86,168	-	18,639	-	14,962	-
Net difference between projected and actual earnings	282,055	-	81,853	-	113,726	-
Employer contributions subsequent to the measurement date *	15,621	-	16,450	-	4,421	-
	\$ 414,673	\$ (36,642)	\$ 127,221	\$ (25,819)	\$ 137,742	\$ (14,568)

* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending September 30, 2016.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Net Deferred Outflows of Resources		
	General	Police	Fire
2017	\$ 111,807	\$ 19,669	\$ 32,731
2018	106,182	19,669	32,731
2019	93,580	30,122	32,729
2020	50,841	15,432	19,951
2021	-	-	587
Thereafter	-	-	24
Total	\$ 362,410	\$ 84,892	\$ 118,753

Payable to the Pension Plan

At September 30, 2016, the City reported a payable of \$235,875 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for LAGERS at www.molagers.org.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE J - LONG-TERM DEBT

Changes in long-term debt during the year ended September 30, 2016 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	\$ 1,830,000	\$ -	\$ 185,000	\$ 1,645,000	\$ 190,000
Lease purchases	4,292,384	-	111,630	4,180,754	113,961
Compensated absences	<u>102,259</u>	<u>1,448</u>	<u>-</u>	<u>103,707</u>	<u>103,707</u>
Total Governmental Activities	<u>\$ 6,224,643</u>	<u>\$ 1,448</u>	<u>\$ 296,630</u>	<u>\$ 5,929,461</u>	<u>\$ 407,668</u>
Business-Type Activities:					
Waterworks & Sewerage Revenue Bonds	\$ 10,864,381	\$ -	\$ 392,402	\$ 10,471,979	\$ 392,267
Compensated absences	<u>32,865</u>	<u>-</u>	<u>2,480</u>	<u>30,385</u>	<u>30,385</u>
Total Business-Type Activities	<u>\$ 10,897,246</u>	<u>\$ -</u>	<u>\$ 394,882</u>	<u>\$ 10,502,364</u>	<u>\$ 422,652</u>

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

Net revenues are pledged over the term of the Waterworks & Sewerage Revenue bonds in an amount equal to the total principal and interest payments.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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>1,645,000</u>
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Lease purchases:

Lease purchase for municipal complex due in varying annual installments through July 2043, interest of 2.00% to 4.25%	\$ 4,165,000
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Lease purchase for copy machines due in monthly installments of \$323 through September 2017, interest at 4.00%	5,572
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Lease purchase for cameras for police cars due in monthly installments of \$655 through October 2017, interest at 5.010%	8,275
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Lease purchase for copy machine due in monthly installments of \$69 through February 2019, interest at 4.00%	<u>1,907</u>
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	<u>\$ 4,180,754</u>
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Business-type activities long-term debt consists of the following:

Revenue bonds:

Series 2001 A State Environmental Improvement and Energy Resources Authority Water Pollution Control and Drinking Water Revenue Bonds due in varying annual installments through January 2021, interest of 4.75% to 5.00%	\$ 1,115,000
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Series 2013 Waterworks & Sewerage Revenue Bonds, due in varying annual installments through February 2042, interest of 2.00% to 5.25%	5,225,000
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Series 2014 Waterworks & Sewerage Revenue Bonds, due in varying annual installments through August 2042, interest of 2.00% to 4.125%	3,195,000
--	-----------

Combined Waterworks & Sewerage Revenues Bonds Series A, due in monthly installments of \$3,619 through February 2050, interest at 2.75%	<u>936,979</u>
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	<u>\$ 10,471,979</u>
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CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE J - LONG-TERM DEBT (continued)

Debt service requirements to maturity are:

Year Ending September 30,	Governmental Activities						Business-Type Activities	
	G.O. Bonds		Lease Purchases		Total		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 190,000	\$ 54,381	\$ 113,961	\$ 153,278	\$ 303,961	\$ 207,659	\$ 392,267	\$ 435,892
2018	205,000	48,456	101,451	150,957	306,451	199,413	412,742	420,534
2019	210,000	41,181	105,342	148,829	315,342	190,010	428,230	403,858
2020	220,000	32,581	105,000	146,597	325,000	179,178	433,731	386,157
2021	235,000	24,304	110,000	143,710	345,000	168,014	449,246	367,817
2022	240,000	16,466	110,000	140,685	350,000	157,151	214,776	353,858
2023	255,000	7,885	115,000	137,660	370,000	145,545	225,319	345,250
2024	90,000	1,631	120,000	134,066	210,000	135,697	270,878	335,028
2025	-	-	125,000	130,316	125,000	130,316	281,452	325,067
2026	-	-	125,000	126,410	125,000	126,410	292,042	314,727
2027	-	-	130,000	122,191	130,000	122,191	302,648	303,471
2028	-	-	135,000	117,804	135,000	117,804	313,271	291,185
2029	-	-	140,000	113,247	140,000	113,247	328,911	278,370
2030	-	-	145,000	107,997	145,000	107,997	344,569	264,912
2031	-	-	150,000	102,560	150,000	102,560	355,245	250,212
2032	-	-	155,000	96,935	155,000	96,935	370,939	235,042
2033	-	-	160,000	91,122	160,000	91,122	386,652	219,204
2034	-	-	170,000	85,122	170,000	85,122	402,385	202,396
2035	-	-	175,000	78,152	175,000	78,152	423,138	184,606
2036	-	-	180,000	70,978	180,000	70,978	443,912	165,619
2037	-	-	190,000	63,598	190,000	63,598	459,707	145,812
2038	-	-	195,000	55,808	195,000	55,808	480,524	125,182
2039	-	-	205,000	47,812	205,000	47,812	506,363	102,850
2040	-	-	215,000	39,100	215,000	39,100	527,226	78,568
2041	-	-	225,000	29,963	225,000	29,963	553,112	53,138
2042	-	-	235,000	20,400	235,000	20,400	579,022	26,559
2043	-	-	245,000	10,413	245,000	10,413	34,958	8,467
2044	-	-	-	-	-	-	35,920	7,506
2045	-	-	-	-	-	-	36,907	6,518
2046	-	-	-	-	-	-	37,922	5,503
2047	-	-	-	-	-	-	38,965	4,460
2048	-	-	-	-	-	-	40,037	3,388
2049	-	-	-	-	-	-	41,138	2,287
2050	-	-	-	-	-	-	27,825	1,156
Total	\$ 1,645,000	\$ 226,885	\$ 4,180,754	\$ 2,665,710	\$ 5,825,754	\$ 2,892,595	\$ 10,471,979	\$ 6,654,599

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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 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' drinking water 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, 2016, interest earnings from the 2001A reserve funds totaled \$18,761. 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 Water Fund operating revenues.

Revenue Bonds Payable

In April 2010 and 2011, the City voters approved the issuance of Combined Waterworks and Sewerage System Revenue Bonds of \$5,100,000 and \$4,700,000, respectively for the purpose of improving the system. As of September 30, 2016, the City has issued all of the \$5,100,000 bonds and \$4,698,000 of the \$4,700,000 bonds.

Lease Purchases

The City's lease purchase agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Governmental Activities
Building	\$ 3,611,326
Equipment	72,867
Less: Accumulated depreciation	(741,877)
Total	\$ 2,942,316

NOTE K - INTERFUND TRANSFERS

During the year, the City transferred \$10,140 from the General Fund to the Municipal Complex Fund to cover the shortfall of sales tax revenue in making the lease payment in the Municipal Complex Fund.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE L - SUBSEQUENT EVENTS

On November 8, 2016, the City entered into a contract to purchase playground equipment for Hamann Park at a cost of \$97,050.

On October 12, 2016, the City entered into a contract to resurface the gymnasium floor at a cost of \$145,220.

On December 9, 2016, the City entered into a lease purchase agreement in the amount of \$500,000 for acquiring, constructing, equipping and installing various park improvements, including walking paths, parking lot, shelter, restroom building and playground for the Hamman Park. The lease requires monthly payment of \$8,825 through December 2021.

NOTE M - FUND BALANCES

The following is a summary of the Governmental Fund balances of the City at September 30, 2016.

<u>Classification/Fund</u>	<u>Purpose</u>	
Nonspendable:		
General Fund	Inventory	\$ 66,442
General Fund	Prepaid expenses	<u>22,924</u>
		89,366
Park	Prepaid expenses	1,342
Cemetery trust fund	Cemetery	<u>102,567</u>
Total Nonspendable		<u>193,275</u>
Committed:		
Park	Capital improvement	44,844
1/2 cent transportation sales tax	Capital improvement	<u>120,695</u>
Total Committed		<u>165,539</u>
Restricted:		
General Fund	Gym floor improvements	25,000
Park	Capital improvements	259,661
Other governmental	Police training	14,856
1/2 cent transportation sales tax	Capital improvements	523,498
Debt service	Debt payments	260,963
Municipal complex	Debt payments	<u>35,067</u>
Total Restricted		<u>1,119,045</u>
Unassigned:		
General Fund		<u>781,936</u>
Total Fund Balances		<u>\$ 2,259,795</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RICHMOND, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	BUDGET		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES:				
Sales tax	\$ 1,010,000	\$ 1,010,000	\$ 986,068	\$ (23,932)
Property tax	395,500	395,500	425,321	29,821
Franchise tax	598,200	598,200	555,335	(42,865)
Licenses and permits	46,600	47,450	90,682	43,232
Other local taxes	275,000	275,000	286,463	11,463
Fines, tickets and fees	152,425	152,225	152,591	366
Charges for services	320,695	325,345	173,026	(152,319)
Grants	6,050	592,725	606,869	14,144
Interest revenue	11,100	11,100	19,692	8,592
Other revenue	<u>149,085</u>	<u>149,330</u>	<u>132,066</u>	<u>(17,264)</u>
Total Revenues	<u>2,964,655</u>	<u>3,556,875</u>	<u>3,428,113</u>	<u>(128,762)</u>
EXPENDITURES:				
Administration	386,250	386,250	696,571	(310,321)
Public safety	1,662,009	1,663,754	1,560,390	103,364
Public works	302,510	302,510	290,437	12,073
Community development	209,229	209,229	163,146	46,083
Cemetery, parks and recreation	477,536	477,536	293,784	183,752
Capital outlay	29,000	35,970	50,876	(14,906)
Early childhood facility grant	-	586,725	302,725	284,000
Debt service:				
Principal	7,255	7,255	11,630	(4,375)
Interest and fees	<u>615</u>	<u>615</u>	<u>936</u>	<u>(321)</u>
Total Expenditures	<u>3,074,404</u>	<u>3,669,844</u>	<u>3,370,495</u>	<u>299,349</u>
Other financing sources (uses):				
Transfers	<u>(30,000)</u>	<u>(30,000)</u>	<u>(10,140)</u>	<u>19,860</u>
Net change in fund balance	<u>\$ (139,749)</u>	<u>\$ (142,969)</u>	47,478	<u>\$ 190,447</u>
Fund balance, beginning of year - budgetary basis			<u>741,512</u>	
Fund balance, end of year - budgetary basis			788,990	
GAAP adjustments:				
Receivables:				
Taxes			208,249	
Grants			2,471	
Accounts			9,132	
Accounts payable			(44,547)	
Accrued payroll and benefits			<u>(67,993)</u>	
Fund balances, end of year - GAAP basis			<u>\$ 896,302</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, 2016

	BUDGET		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES:				
Sales tax	\$ 235,000	\$ 235,000	\$ 246,769	\$ 11,769
Property tax	91,000	91,000	100,188	9,188
Charges for services	2,500	2,500	2,374	(126)
Interest revenue	650	650	746	96
Other revenue	-	-	710	710
Total Revenues	<u>329,150</u>	<u>329,150</u>	<u>350,787</u>	<u>21,637</u>
EXPENDITURES:				
Parks	182,691	190,191	209,617	(19,426)
Capital outlay	<u>245,000</u>	<u>237,500</u>	<u>64,778</u>	<u>172,722</u>
Total Expenditures	<u>427,691</u>	<u>427,691</u>	<u>274,395</u>	<u>153,296</u>
Net change in fund balance	<u>\$ (98,541)</u>	<u>\$ (98,541)</u>	76,392	<u>\$ 174,933</u>
Fund balance, beginning of year - budgetary basis			<u>206,342</u>	
Fund balance, end of year - budgetary basis			282,734	
GAAP adjustments:				
Receivables:				
Taxes			35,063	
Accounts payable			(8,921)	
Accrued payroll and benefits			<u>(3,029)</u>	
Fund balances, end of year - GAAP basis			<u>\$ 305,847</u>	

See accompanying notes to the required supplementary information.

**CITY OF RICHMOND, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - 1/2 CENT TRANSPORTATION SALES TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Sales tax	\$ 469,800	\$ 469,800	\$ 494,527	\$ 24,727
Grant revenue	277,900	277,900	-	(277,900)
Interest revenue	1,000	1,000	2,057	1,057
Total Revenues	748,700	748,700	496,584	(252,116)
EXPENDITURES:				
Public works	390,381	714,381	586,164	128,217
Capital outlay	397,000	397,000	16,653	380,347
Total Expenditures	787,381	1,111,381	602,817	508,564
Other financing sources (uses):				
Transfers	60,000	60,000	-	60,000
Net change in fund balance	\$ 21,319	\$ (302,681)	(106,233)	\$ 316,448
Fund balance, beginning of year - budgetary basis			683,666	
Fund balance, end of year - budgetary basis			577,433	
GAAP adjustments:				
Receivables:				
Taxes			70,127	
Accounts payable			(3,100)	
Fund balances, end of year - GAAP basis			\$ 644,193	

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, 2016

	BUDGET		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE (NEGATIVE)
REVENUES:				
Sales tax	\$ 235,000	\$ 235,000	\$ 246,772	\$ 11,772
Interest revenue	-	-	56	56
Total Revenues	<u>235,000</u>	<u>235,000</u>	<u>246,828</u>	<u>11,828</u>
EXPENDITURES:				
Debt service:				
Principal	100,000	100,000	100,000	-
Interest and fees	<u>157,055</u>	<u>157,055</u>	<u>156,969</u>	<u>86</u>
Total Expenditures	<u>257,055</u>	<u>257,055</u>	<u>256,969</u>	<u>86</u>
Excess (deficiency) of revenues over expenditures	(22,055)	(22,055)	(10,141)	11,914
Other financing sources:				
Transfers	<u>30,000</u>	<u>30,000</u>	<u>10,140</u>	<u>(19,860)</u>
Net change in fund balance	<u>\$ 7,945</u>	<u>\$ 7,945</u>	(1)	<u>\$ (7,946)</u>
Fund balance, beginning of year - budgetary basis			<u>5</u>	
Fund balance, end of year - budgetary basis			4	
GAAP adjustments:				
Receivables:				
Taxes			<u>35,063</u>	
Fund balances, end of year - GAAP basis			<u>\$ 35,067</u>	

See accompanying notes to the required supplementary information.

CITY OF RICHMOND, MISSOURI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2016

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 cannot 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.
5. 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.

CITY OF RICHMOND, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEARS ENDED SEPTEMBER 30,

	2016	2015
Total Pension Liability		
Service Cost	\$ 143,622	\$ 131,825
Interest on Total Pension Liability	334,717	310,434
Changes of Benefit Terms	-	-
Difference between expected and actual experience	(51,704)	23,997
Changes of Assumptions	154,537	-
Benefit payments, including refunds	<u>(135,923)</u>	<u>(138,275)</u>
Net change in total pension liability	445,249	327,981
Total pension liability - beginning	<u>4,613,007</u>	<u>4,285,026</u>
Total pension liability - ending (a)	<u>\$ 5,058,256</u>	<u>\$ 4,613,007</u>
 Plan fiduciary net position		
Contributions - employer	150,079	162,873
Contributions - employee	-	-
Net investment income	(7,286)	103,072
Benefit payments, including refunds	(135,923)	(138,278)
Pension Plan Administrative Expense	(7,993)	(9,321)
Other (Net Transfers)	<u>(19,993)</u>	<u>31,555</u>
Net change in plan fiduciary net position	(21,116)	149,901
Plan fiduciary net position - beginning	<u>5,315,888</u>	<u>5,165,984</u>
Plan fiduciary net position - ending (b)	<u>\$ 5,294,772</u>	<u>\$ 5,315,885</u>
Net pension liability/(asset) - ending (a) - (b)	<u>\$ (236,516)</u>	<u>\$ (702,878)</u>
 Plan fiduciary net position as a percentage of the total pension liability		
	104.68%	115.24%
 Covered-employee payroll	\$ 1,955,102	\$ 1,887,321
 Net pension liability/(asset) as a percentage of covered employee payroll	(12.10)%	(37.24)%

**CITY OF RICHMOND, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS
SEPTEMBER 30, 2016**

<u>Fiscal Year</u>	<u>Actuarially Determined Contribution</u>	<u>Contribution in Relation</u>	<u>Contribution Deficiency</u>	<u>Covered Employee Payroll</u>	<u>Contribution as Percentage</u>
2007	\$ 214,655	\$ 214,655	\$ -	\$ 2,086,590	10.29%
2008	184,132	184,132	-	1,892,466	9.73%
2009	185,962	185,962	-	1,933,797	9.62%
2010	165,376	165,376	-	1,789,733	9.24%
2011	163,954	159,382	4,572	1,560,193	10.22%
2012	181,425	178,572	2,853	1,670,824	10.69%
2013	177,373	177,373	-	1,712,829	10.36%
2014	159,771	159,771	-	1,699,066	9.40%
2015	162,249	162,249	-	1,901,167	8.53%
2016	148,524	148,524	-	2,016,399	7.37%

See accompanying notes to the required supplementary information.

**CITY OF RICHMOND, MISSOURI
 REQUIRED SUPPLEMENTARY INFORMATION
 NOTES TO THE SCHEDULE OF CONTRIBUTIONS
 LAST 10 FISCAL YEARS
 SEPTEMBER 30, 2016**

Valuation date:	February 29, 2016
Notes:	The roll-forward of total pension liability from February 29, 2016 to June 30, 2016 reflects expected service cost and interest reduced by actual benefit payments
Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial Cost Method	Entry Age Normal AND Modified Terminal Funding
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	Multiple bases from 13 to 19 years for General, Police and Fire Divisions
Asset Valuation Method	5-Year smoothed market; 20% corridor
Inflation	3.5% wage inflation; 2.5% price inflation
Salary Increases	3.25% to 6.55% including wage inflation for General and Police Division 3.25% to 7.15% including wage inflation for Fire Division
Investment Rate of Return	7.25% net of investment and administrative expenses
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	<p>The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality table for males and females.</p> <p>Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to the 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.</p>
Other information:	New assumptions adopted based on the 5-year experience study for the period March 1, 2010 through February 28, 2015

SUPPLEMENTARY INFORMATION

CITY OF RICHMOND, MISSOURI
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	<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	\$ 14,856	\$ 102,567	\$ 117,423
LIABILITIES AND FUND BALANCES			
Liabilities	\$ -	\$ -	\$ -
Fund balances:			
Nonspendable	-	102,567	102,567
Restricted	14,856	-	14,856
Total Fund Balances	14,856	102,567	117,423
Total Liabilities and Fund Balances	\$ 14,856	\$ 102,567	\$ 117,423

CITY OF RICHMOND, MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	SPECIAL REVENUE FUND	PERMANENT FUND	TOTAL OTHER GOVERNMENTAL FUNDS
	POLICE TRAINING	CEMETERY FUND	
REVENUES:			
Fines, tickets and fees	\$ 5,989	\$ -	\$ 5,989
Charges for services	-	1,121	1,121
Interest revenue	41	261	302
Total Revenues	6,030	1,382	7,412
EXPENDITURES:			
Public safety	5,981	-	5,981
Cemetery	-	259	259
Total Expenditures	5,981	259	6,240
Excess (deficiency) of revenues over expenditures	49	1,123	1,172
Fund balance, beginning of year	14,807	101,444	116,251
Fund balance, end of year	\$ 14,856	\$ 102,567	\$ 117,423

INTERNAL CONTROL AND COMPLIANCE

**INDEPENDENT AUDITORS' 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, 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, 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 29, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 deficiency described in the accompanying schedule of findings and responses as item 2016-001 to be a material weakness.

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*.

City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Westbrook & Co., P.C.

Richmond, Missouri
December 29, 2016

**CITY OF RICHMOND, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

MATERIAL WEAKNESS

2016-001 - 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 the 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 over cash receipts could allow errors or fraud to occur and go undetected.

Recommendation: We recommend that the City review their segregation of duties over cash receipts to provide internal controls.

Auditee's Response: 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 all adjustments