

**CITY OF RICHMOND, MISSOURI**

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

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**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, 2017, 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, 2017, 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.

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Member, American Institute of Certified Public Accountants; Missouri Society of Certified Public Accountants

## **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 schedules, schedule 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 26, 2017, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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 26, 2017



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## 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, 2017. Please read this section in conjunction with the City's financial statements, which follow this section.

### **Financial Highlights**

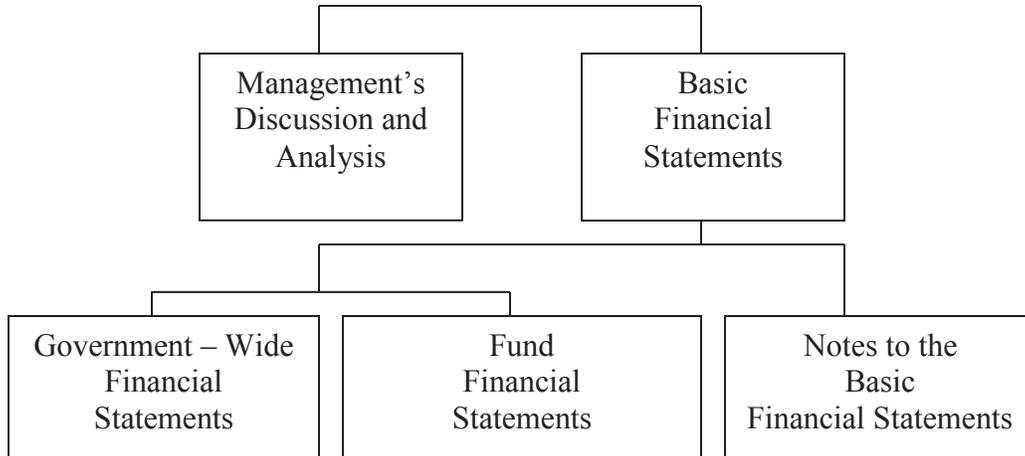
- The assets and deferred outflows of the City of Richmond exceeded its liabilities and deferred inflows by \$19,663,145. Of this amount, \$14,748,742 represents the City's net investment in capital assets; \$777,730 is restricted for debt service and \$103,335 is restricted for perpetual care. There is \$629,391 of net position unrestricted for governmental activities and \$3,403,947 of net position unrestricted for business-type activities.
- The City's total net position increased \$465,157.
- The City's long-term debt decreased approximately \$272,000 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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Assets:</b>						
Current & other assets	\$ 2,602,688	\$ 2,575,543	\$ 4,299,401	\$ 3,939,374	\$ 6,902,089	\$ 6,514,917
Capital assets, net	11,158,661	10,564,711	18,164,425	18,493,952	29,323,086	29,058,663
<b>Total assets</b>	<b>13,761,349</b>	<b>13,140,254</b>	<b>22,463,826</b>	<b>22,433,326</b>	<b>36,225,175</b>	<b>35,573,580</b>
Deferred outflows of resources	194,124	481,208	72,186	160,530	266,310	641,738
<b>Liabilities:</b>						
Other liabilities	701,642	582,588	842,963	794,107	1,544,605	1,376,695
Long-term liabilities	5,546,738	5,521,793	9,666,350	10,079,712	15,213,088	15,601,505
<b>Total liabilities</b>	<b>6,248,380</b>	<b>6,104,381</b>	<b>10,509,313</b>	<b>10,873,819</b>	<b>16,757,693</b>	<b>16,978,200</b>
Deferred inflows of resources	49,084	25,312	21,563	13,818	70,647	39,130
<b>Net position:</b>						
Net investment in capital assets	6,663,409	6,383,957	8,085,333	8,021,973	14,748,742	14,405,930
Restricted	365,209	363,530	515,856	515,856	881,065	879,386
Unrestricted	629,391	744,282	3,403,947	3,168,390	4,033,338	3,912,672
<b>Total net position</b>	<b>\$ 7,658,009</b>	<b>\$ 7,491,769</b>	<b>\$ 12,005,136</b>	<b>\$ 11,706,219</b>	<b>\$ 19,663,145</b>	<b>\$ 19,197,988</b>

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 \$19,663,145 from \$19,197,988 as a result of the increase in net position reflected in Figure 2. For the years ended September 30, 2017 and 2016, net position of the City changed as follows:

**Figure 2**

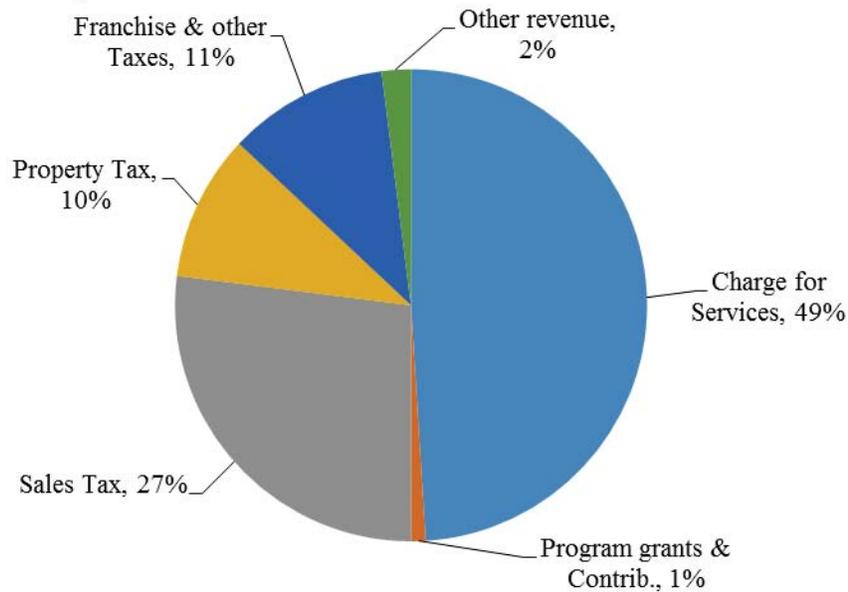
City of Richmond's Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
Program Revenues:						
Charges for services	\$ 431,766	\$ 500,427	\$ 3,416,000	\$ 3,474,520	\$ 3,847,766	\$ 3,974,947
Operating grants and contributions	112,221	29,318	-	13,297	112,221	42,615
Capital grants	4,147	339,513	-	-	4,147	339,513
General Revenues:						
Property taxes	786,705	775,692	-	-	786,705	775,692
Sales and use tax	2,095,446	1,977,238	-	-	2,095,446	1,977,238
Franchise and other taxes	859,755	841,798	-	-	859,755	841,798
Interest revenue	17,374	23,646	28,205	30,089	45,579	53,735
Other revenue	84,899	53,852	19,267	22,136	104,166	75,988
<b>Total Revenues</b>	<b>4,392,313</b>	<b>4,541,484</b>	<b>3,463,472</b>	<b>3,540,042</b>	<b>7,855,785</b>	<b>8,081,526</b>
<b>Expenses</b>						
Administration	536,601	817,424	-	-	536,601	817,424
Public safety	1,780,451	1,711,501	-	-	1,780,451	1,711,501
Public works	888,871	1,029,143	-	-	888,871	1,029,143
Community development	137,638	170,881	-	-	137,638	170,881
Cemetery, parks, & recreation	664,936	662,079	-	-	664,936	662,079
Interest on long-term debt	217,576	217,999	-	-	217,576	217,999
Water	-	-	1,290,364	1,279,440	1,290,364	1,279,440
Wastewater	-	-	1,576,864	1,527,209	1,576,864	1,527,209
Solid Waste	-	-	297,327	276,293	297,327	276,293
<b>Total Expenses</b>	<b>4,226,073</b>	<b>4,609,027</b>	<b>3,164,555</b>	<b>3,082,942</b>	<b>7,390,628</b>	<b>7,691,969</b>
Change in net position	166,240	(67,543)	298,917	457,100	465,157	389,557
Beginning net position	7,491,769	7,559,312	11,706,219	11,249,119	19,197,988	18,808,431
Ending net position	\$ 7,658,009	\$ 7,491,769	\$ 12,005,136	\$ 11,706,219	\$ 19,663,145	\$ 19,197,988

For the fiscal year ended September 30, 2017, government-wide revenues totaled \$7,855,785. Approximately 49% of all revenues are from charges for services, and 27% is from sales tax. See Figure 3.

Figure 3

### City of Richmond - Sources of Revenue

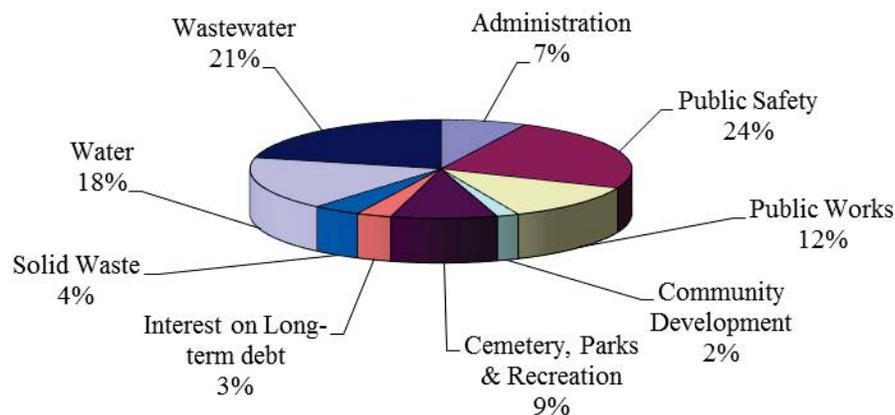


Charges for services are derived from users of the City’s programs such as governmental programs and from fees from the users of the City’s solid waste, water and wastewater operations.

The next largest revenue source for the entire City is sales and use tax. During the 2017 fiscal year sales and use tax revenues were \$2,095,446. The City of Richmond has a 2% sales and use tax (1% to fund general governmental activities, 0.5% for transportation improvements, 0.25% to finance the municipal complex, and 0.25% for parks.

Figure 4

### City of Richmond - Functional Expenses



The City's expenses cover a range of services. As shown in Figure 4, approximately 43% of all City expenses during the 2017 fiscal year were related to the three business-type activities, solid waste, water and wastewater. The second largest expenditure in 2017 was public safety at 24%. Public safety is comprised of the police department, the fire department, animal control and dispatch.

### **Governmental Activities**

Governmental activities increased the City's net position by \$166,240. For the fiscal year ended September 30, 2017, revenues totaled \$7,855,785 (governmental and business-type). Revenues from governmental activities were \$4,392,313 or 56% of the total city revenue.

Certain revenues are generated that are specific to governmental program activities. These totaled \$548,134. Figure 5 shows expenses and program revenues of the governmental activities for the years ended September 30, 2017 and 2016:

**Figure 5**

Net Cost of City of Richmond's Governmental Activities						
	2017			2016		
	Cost of Services	Program Revenue	Net Cost of Services	Cost of Services	Program Revenue	Net Cost of Services
Administration	\$ 536,601	\$ 43,178	\$ 493,423	\$ 817,424	\$ 338,763	\$ 478,661
Public Safety	1,780,451	212,680	1,567,771	1,711,501	282,695	1,428,806
Public Works	888,871	74,309	814,562	1,029,143	7,737	1,021,406
Community Development	137,638	42,753	94,885	170,881	69,785	101,096
Cemetery, Parks & Recreation	664,936	175,214	489,722	662,079	170,278	491,801
Interest on long-term debt	<u>217,576</u>	<u>-</u>	<u>217,576</u>	<u>217,999</u>	<u>-</u>	<u>217,999</u>
Total	<u>\$ 4,226,073</u>	<u>\$ 548,134</u>	<u>\$ 3,677,939</u>	<u>\$ 4,609,027</u>	<u>\$ 869,258</u>	<u>\$ 3,739,769</u>

As noted in Figure 5, expenses from governmental activities totaled \$4,226,073. However, the net cost of these services was \$3,677,939. The difference represents direct revenues from charges for services of \$431,766, grants and contributions of \$112,221 and capital grants of \$4,147. Taxes and other revenues were collected to cover these net costs.

## **Business-Type Activities**

Business-type activities increased the City's net position by \$298,917. Key elements of the change in net position are as follows:

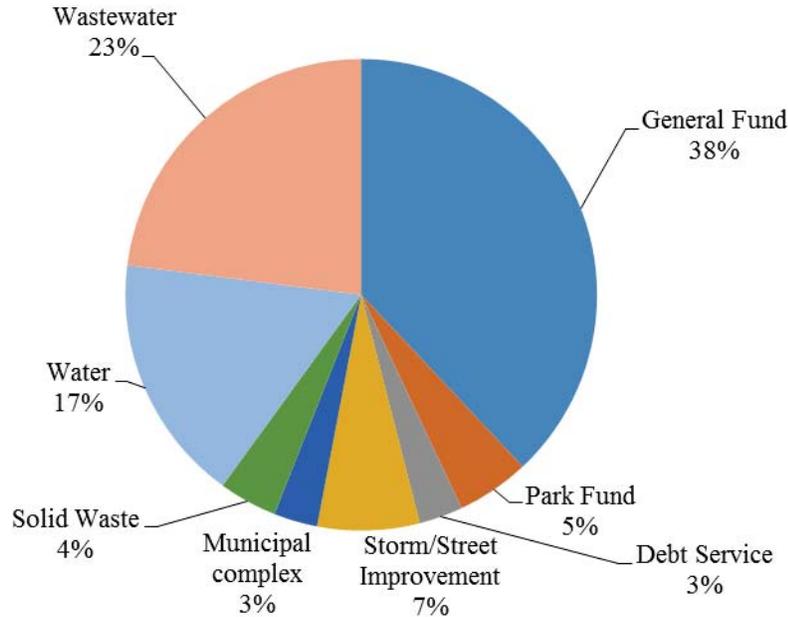
- Solid waste operating revenue increased \$2,129 from the prior year, and operating expenses increased \$21,034. Last year the solid waste fund net position increased \$10,880. This year the solid waste fund net position decreased \$13,742. The solid waste operating revenue remained fairly consistent with prior year, and operating expenses increased, primarily due to the cleanup efforts during some major storms, particularly a significant wind storm in the spring of 2017. The additional expenditures caused the decrease in net position in FY17.
- Water operating revenue decreased \$9,125 from the prior year, and operating expenses increased \$21,332. Last year the Water Fund net position increased \$111,638. This year the Water Fund net position increased \$79,061. The water operating revenue, expenses, and change in net position remained fairly consistent with prior year.
- Wastewater operating revenue decreased \$51,524 from the prior year, and operating expenses increased \$55,017. Last year the Wastewater Fund net position increased \$334,582. This year the Wastewater Fund net position increased \$233,598. The decrease in the Wastewater operating revenue was primarily due to the significant sewer connection charge for the Harvest Hills Villas in FY16. The increase in the Wastewater operating expenses was due to the Cured in Place Pipe (CIPP) work that was completed in FY17. The decrease in revenue and increase in expenditures caused the increase in net position to be less in FY17.

## **Financial Analysis of the City's Funds**

The City of Richmond's governmental funds reported combined ending fund balances of \$2,032,842, a decrease of \$226,953 over the prior year. The fund balance of the General Fund by itself decreased \$135,376 in fiscal year 2017. Last year the General Fund increased \$109,427. The FY17 decrease to the total fund balance is primarily a result of two major projects. The replacement of the City Gym floor and the City Gym remodel decreased the fund balance of the General Fund. The development of Hamann Park decreased the fund balance of the Park Fund.

**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 \$2,951,260 increased to \$2,955,520. The increase was due to the following:
  - \$4,260 Police grant revenue
- Total original expense budget for the General Fund of \$3,357,638 increased to \$3,399,658. The increase was due to the following:
  - \$14,415 Police body cameras and DVR
  - \$2,545 Old Polley Funeral Home property (donated to the City; City paid closing costs)
  - \$25,060 Additional remodel to City Gym

The actual amounts for the General Fund on the budgetary basis was \$2,916,297 in revenue versus \$3,042,399 in expenses. The net change to the General Fund balance at the end of the year on the budgetary basis is a decrease of \$124,302.

## **Capital Assets and Debt Administration**

The fiscal year 2017 capital asset activity for governmental activities included the following expenditures:

- 122 W N Main (Old Polley Funeral Home property)
- 2015 Ford Utility (Explorer) for Police
- Seven tier rotary file cabinet for Police
- Stalker radar and mount for Police
- Server for body cameras for Police
- Self-contained breathing apparatuses and cylinders (6) for Fire
- Fabric awning for Southview Pool entrance
- Paco pump for Southview Pool
- Mondo City Gym floor
- Drop ceiling in concession area of City Gym
- Asbestos removal and tile flooring in concession area of City Gym
- City Gym bleachers, player benches, and scorer's table
- T300e walk-behind auto scrubber for City Gym floor
- 1/3 of post frame building for Public Works
- Street lights with steel poles for Stonner Loop
- 9' Western Pro snow plow for F450
- 10' heavyweight blade assemblies (2)
- 1/3 of Okada ORV-550 hydraulic concrete breaker for Public Works
- 2/3 of 2016 John Deere Z930M Commercial Ztrak mower for Streets and Community Development
- 2/3 of 2017 John Deere Z930M Commercial Ztrak mower for Streets and Community Development
- Cemetery GIS mapping
- Snow blade for Park Fund's Gator
- Playground equipment for Hamann Park
- Continue work on the development of Hamann Park
- Continue work on the TAP Grant/STP Funds Highway 13 Sidewalk project

The fiscal year 2017 capital asset activity for business-type activities included the following expenditures:

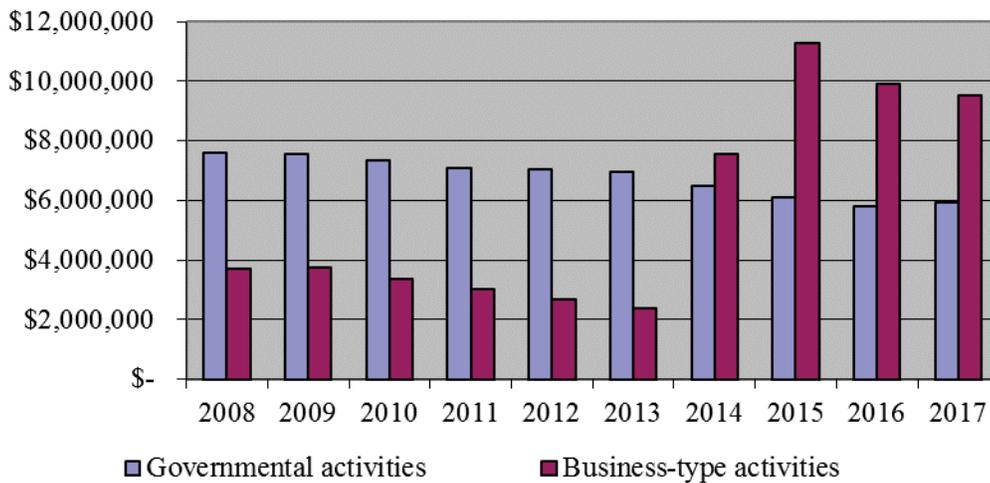
- CO2 feed system for the Water Plant
- Soft start on Well #6 at the Water Plant
- 2/3 of post frame building for Public Works
- 2017 F550 with crane for Public Works
- 1/3 of 2016 John Deere Z930M Commercial Ztrak mower for Water Distribution
- 1/3 of 2017 John Deere Z930M Commercial Ztrak mower for Water Distribution
- Cat XQ100 portable generators (2) for the Water Plant and Wastewater
- 2/3 of Okada ORV-550 hydraulic concrete breaker for Water Distribution and Wastewater
- Water hydrants (3)

- Gillis Street waterline replacement
- Flygt pump for K Lift Station
- CUES sewer inspection crawler camera with built in sonde

In fiscal year 2017, long-term debt for the governmental activities increased \$124,375. Long-term debt for the business-type activities decreased \$396,172. In total, long-term debt outstanding and other liabilities for governmental and business-type activities decreased by \$271,797.

**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 cleaning and rehabilitation, water wells and water plant rehabilitation and/or replacement, water meter replacements, addressing wastewater inflow and infiltration, wastewater line rehabilitation, and manhole repairs and upgrades continue to be a critical need.

Remodeling of City Gym was complete this fiscal year. The remodel included a new Mondo gym floor and remodeling of the concession area and restrooms. The remodel is expected to increase the usefulness of the City Gym.

The Park Board continued development of a new park, Hamann Park, in fiscal year 2017. Hamann Park features a walking trail, playground equipment, shelters, and restrooms. The new park will be a tremendous asset to the City of Richmond.

The City continued development of the Highway 13 sidewalk using TAP Grant and STP funds to finance the project. The sidewalk increases connectivity on the north end of the City.

### **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 Wright, Mayor  
Mark Rounds, City Administrator  
Rebecca Hoeflicker, Finance Director

**CITY OF RICHMOND, MISSOURI**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,747,538	\$ 2,571,498	\$ 4,319,036
Receivables, net:			
Taxes	382,092	-	382,092
Accounts	-	528,193	528,193
Grants	4,906	-	4,906
Other	12,076	-	12,076
Accrued interest	-	4,177	4,177
Prepaid expenses	26,356	7,414	33,770
Restricted cash and cash equivalents	-	1,012,222	1,012,222
Inventory	66,339	-	66,339
Net pension asset	363,381	175,897	539,278
Capital assets, net	<u>11,158,661</u>	<u>18,164,425</u>	<u>29,323,086</u>
Total Assets	<u>13,761,349</u>	<u>22,463,826</u>	<u>36,225,175</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	<u>194,124</u>	<u>72,186</u>	<u>266,310</u>
<b>LIABILITIES</b>			
Accounts payable	69,393	86,798	156,191
Accrued payroll and benefits	80,338	21,876	102,214
Accrued interest	42,033	68,994	111,027
Customer deposits	2,780	225,453	228,233
Noncurrent liabilities:			
Due within one year	507,098	439,842	946,940
Due in more than one year	<u>5,546,738</u>	<u>9,666,350</u>	<u>15,213,088</u>
Total Liabilities	<u>6,248,380</u>	<u>10,509,313</u>	<u>16,757,693</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	<u>49,084</u>	<u>21,563</u>	<u>70,647</u>
<b>NET POSITION</b>			
Net investment in capital assets	6,663,409	8,085,333	14,748,742
Restricted for:			
Perpetual care	103,335	-	103,335
Debt service	261,874	515,856	777,730
Unrestricted	<u>629,391</u>	<u>3,403,947</u>	<u>4,033,338</u>
Total Net Position	<u>\$ 7,658,009</u>	<u>\$ 12,005,136</u>	<u>\$ 19,663,145</u>

See accompanying notes to the basic financial statements.

**CITY OF RICHMOND, MISSOURI**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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	\$ 536,601	\$ 36,178	\$ 7,000	\$ -	\$ (493,423)	\$ -	\$ (493,423)
Public safety	1,780,451	195,466	17,214	-	(1,567,771)	-	(1,567,771)
Public works	888,871	-	74,309	-	(814,562)	-	(814,562)
Community development	137,638	42,753	-	-	(94,885)	-	(94,885)
Cemetery, parks and recreation	664,936	157,369	13,698	4,147	(489,722)	-	(489,722)
Interest on long-term debt	217,576	-	-	-	(217,576)	-	(217,576)
Total governmental activities	4,226,073	431,766	112,221	4,147	(3,677,939)	-	(3,677,939)
Business-type activities:							
Water	1,290,364	1,342,029	-	-	-	51,665	51,665
Wastewater	1,576,864	1,790,762	-	-	-	213,898	213,898
Solid waste	297,327	283,209	-	-	-	(14,118)	(14,118)
Total business-type activities	3,164,555	3,416,000	-	-	-	251,445	251,445
Total primary government	\$ 7,390,628	\$ 3,847,766	\$ 112,221	\$ 4,147	(3,677,939)	251,445	(3,426,494)
General revenues:							
Property tax					786,705	-	786,705
Sales and use tax					2,095,446	-	2,095,446
Other local taxes					285,972	-	285,972
Franchise taxes					573,783	-	573,783
Interest revenue					17,374	28,205	45,579
Other revenue					84,899	19,267	104,166
Total General revenue					3,844,179	47,472	3,891,651
Change in net position					166,240	298,917	465,157
Net position, beginning of year					7,491,769	11,706,219	19,197,988
Net position, end of year					\$ 7,658,009	\$ 12,005,136	\$ 19,663,145

See accompanying notes to the basic financial statements.

**CITY OF RICHMOND, MISSOURI**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2017**

	GENERAL	PARK	1/2 CENT TRANSPORTATION SALES TAX	DEBT SERVICE	MUNICIPAL COMPLEX	OTHER GOVERNMENTAL FUNDS	TOTALS GOVERNMENTAL FUNDS
<b>ASSETS</b>							
Cash and cash equivalents	\$ 576,912	\$ 159,360	\$ 631,338	\$ 261,874	\$ 2,782	\$ 115,272	\$ 1,747,538
Receivables, net:							
Taxes	227,034	39,587	66,322	15,989	33,160	-	382,092
Grants	1,494	-	3,412	-	-	-	4,906
Other	12,076	-	-	-	-	-	12,076
Inventory	66,339	-	-	-	-	-	66,339
Prepaid expenses	24,215	2,141	-	-	-	-	26,356
<b>Total Assets</b>	<b>\$ 908,070</b>	<b>\$ 201,088</b>	<b>\$ 701,072</b>	<b>\$ 277,863</b>	<b>\$ 35,942</b>	<b>\$ 115,272</b>	<b>\$ 2,239,307</b>
<b>LIABILITIES</b>							
Accounts payable	\$ 36,166	\$ 32,528	\$ 452	\$ -	\$ -	\$ 247	\$ 69,393
Accrued liabilities	76,660	3,430	248	-	-	-	80,338
Municipal court bonds	2,780	-	-	-	-	-	2,780
<b>Total Liabilities</b>	<b>115,606</b>	<b>35,958</b>	<b>700</b>	<b>-</b>	<b>-</b>	<b>247</b>	<b>152,511</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue - property taxes	25,752	6,427	-	15,989	-	-	48,168
Unavailable revenue - other	5,786	-	-	-	-	-	5,786
<b>Total Deferred Inflows of Resources</b>	<b>31,538</b>	<b>6,427</b>	<b>-</b>	<b>15,989</b>	<b>-</b>	<b>-</b>	<b>53,954</b>
<b>FUND BALANCES</b>							
Nonspendable	90,554	2,141	-	-	-	103,335	196,030
Committed	-	-	450,485	-	-	-	450,485
Restricted	-	156,562	249,887	261,874	35,942	11,690	715,955
Unassigned	670,372	-	-	-	-	-	670,372
<b>Total Fund Balances</b>	<b>760,926</b>	<b>158,703</b>	<b>700,372</b>	<b>261,874</b>	<b>35,942</b>	<b>115,025</b>	<b>2,032,842</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 908,070</b>	<b>\$ 201,088</b>	<b>\$ 701,072</b>	<b>\$ 277,863</b>	<b>\$ 35,942</b>	<b>\$ 115,272</b>	<b>\$ 2,239,307</b>

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, 2017**

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**Fund Balances - Total Governmental Funds** \$ 2,032,842

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	\$ 17,716,071	
Less: accumulated depreciation	<u>(6,557,410)</u>	11,158,661

Net pension asset		363,381
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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	194,124	
Deferred inflows of resources	<u>(49,084)</u>	145,040

Certain revenues are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the governmental funds.		53,954
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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	(1,455,000)	
Lease purchases	<u>(4,495,252)</u>	(5,950,252)

Liabilities for compensated absences are recognized only when paid in the governmental fund statements but are accrued in the government-wide statements.		(103,584)
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Other assets and liabilities not reported at the fund statement level:

Accrued interest		<u>(42,033)</u>
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<b>Net Position of Governmental Activities</b>		<b>\$ <u>7,658,009</u></b>
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**CITY OF RICHMOND, MISSOURI  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	GENERAL	PARK	1/2 CENT TRANSPORTATION SALES TAX	DEBT SERVICE	MUNICIPAL COMPLEX	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>							
Sales and use tax	\$ 1,072,371	\$ 255,761	\$ 511,554	\$ -	\$ 255,760	\$ -	\$ 2,095,446
Property tax	431,077	100,519	-	250,149	-	-	781,745
Franchise tax	573,783	-	-	-	-	-	573,783
Licenses and permits	68,170	-	-	-	-	-	68,170
Other local taxes	285,972	-	-	-	-	-	285,972
Fines, tickets and fees	119,762	-	-	-	-	4,548	124,310
Charges for services	164,910	2,644	-	-	-	765	168,319
Grants and contributions	32,111	12,638	73,619	-	-	-	118,368
Interest revenue	13,321	1,165	1,716	790	82	300	17,374
Other revenue	144,032	6,901	874	-	-	-	151,807
<b>Total Revenues</b>	<b>2,905,509</b>	<b>379,628</b>	<b>587,763</b>	<b>250,939</b>	<b>255,842</b>	<b>5,613</b>	<b>4,385,294</b>
<b>EXPENDITURES:</b>							
Administration	346,193	-	-	4,647	(1,000)	-	350,839
Public safety	1,631,113	-	-	-	-	5,952	1,637,065
Public works	293,134	-	441,550	-	-	-	734,684
Community development	131,215	-	-	-	-	-	131,215
Cemetery, parks and recreation	322,244	198,157	-	-	-	259	520,660
Capital outlay	304,508	749,189	90,034	-	-	-	1,143,731
Debt service:							
Principal	13,896	71,606	-	190,000	100,000	-	375,502
Interest and fees	382	7,820	-	55,381	154,968	-	218,551
<b>Total Expenditures</b>	<b>3,042,685</b>	<b>1,026,772</b>	<b>531,584</b>	<b>250,028</b>	<b>254,967</b>	<b>6,211</b>	<b>5,112,247</b>
Excess (deficiency) of revenues over expenditures	(137,176)	(647,144)	56,179	911	875	(598)	(726,953)
Other financing sources (uses):							
Debt proceeds	-	500,000	-	-	-	-	500,000
Transfers	1,800	-	-	-	-	(1,800)	-
Total other financing sources (uses)	1,800	500,000	-	-	-	(1,800)	500,000
Net change in fund balances	(135,376)	(147,144)	56,179	911	875	(2,398)	(226,953)
Fund balance, beginning of year	896,302	305,847	644,193	260,963	35,067	117,423	2,259,795
Fund balance, end of year	\$ 760,926	\$ 158,703	\$ 700,372	\$ 261,874	\$ 35,942	\$ 115,025	\$ 2,032,842

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, 2017**

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**Net Change in Fund Balances - Total Governmental Funds** \$ (226,953)

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	\$ 1,143,732	
Depreciation expense	(548,054)	595,678

In the Statement of Activities, the loss or gain on the disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from these sales.

Loss on the disposal of capital assets	(1,728)
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Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities

(75,238)

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.

Proceeds from debt	(500,000)	
Principal payments	375,502	
Accrued interest	975	(123,523)

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	4,960	
Change in unavailable revenue - other	(7,079)	(2,119)

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	123
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**Change in Net Position of Governmental Activities** **\$ 166,240**

**CITY OF RICHMOND, MISSOURI**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2017**

	<u>WATER</u>	<u>WASTEWATER</u>	<u>SOLID WASTE</u>	<u>TOTALS</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 964,823	\$ 1,474,098	\$ 132,577	\$ 2,571,498
Receivables, net	211,971	274,644	41,578	528,193
Accrued interest	4,177	-	-	4,177
Prepaid expenses	4,723	2,691	-	7,414
Total current assets	<u>1,185,694</u>	<u>1,751,433</u>	<u>174,155</u>	<u>3,111,282</u>
Noncurrent assets:				
Restricted cash and cash equivalents	620,430	391,792	-	1,012,222
Net pension asset	91,647	82,577	1,673	175,897
Capital assets, net	3,595,886	14,546,086	22,453	18,164,425
Total noncurrent assets	<u>4,307,963</u>	<u>15,020,455</u>	<u>24,126</u>	<u>19,352,544</u>
Total assets	<u>5,493,657</u>	<u>16,771,888</u>	<u>198,281</u>	<u>22,463,826</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension deferrals	<u>35,296</u>	<u>37,620</u>	<u>(730)</u>	<u>72,186</u>
<b>LIABILITIES</b>				
Current liabilities:				
Current portion of long-term debt	215,000	197,742	-	412,742
Accounts payable	49,536	20,777	16,485	86,798
Customer deposits payable	225,453	-	-	225,453
Accrued interest	11,294	57,700	-	68,994
Accrued liabilities:				
Payroll and benefits	14,638	6,587	651	21,876
Compensated absences	17,185	9,915	-	27,100
Total current liabilities	<u>533,106</u>	<u>292,721</u>	<u>17,136</u>	<u>842,963</u>
Noncurrent liabilities:				
Bonds payable	<u>695,000</u>	<u>8,971,350</u>	<u>-</u>	<u>9,666,350</u>
Total liabilities	<u>1,228,106</u>	<u>9,264,071</u>	<u>17,136</u>	<u>10,509,313</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension deferrals	<u>12,242</u>	<u>8,855</u>	<u>466</u>	<u>21,563</u>
<b>NET POSITION</b>				
Net investment in capital assets	2,685,886	5,376,994	22,453	8,085,333
Restricted for debt service	163,818	352,038	-	515,856
Unrestricted	1,438,901	1,807,550	157,496	3,403,947
Total net position	<u>\$ 4,288,605</u>	<u>\$ 7,536,582</u>	<u>\$ 179,949</u>	<u>\$ 12,005,136</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, 2017**

	<u>WATER</u>	<u>WASTEWATER</u>	<u>SOLID WASTE</u>	<u>TOTALS</u>
Operating revenues:				
Charges for services	\$ <u>1,342,029</u>	\$ <u>1,790,762</u>	\$ <u>283,209</u>	\$ <u>3,416,000</u>
Operating expenses:				
Personnel services	487,768	293,547	54,081	835,396
Contractual services	181,618	417,817	227,385	826,820
Materials and supplies	367,274	79,117	14,367	460,758
Depreciation	201,341	411,842	1,494	614,677
Other operating expenses	<u>255</u>	<u>531</u>	<u>-</u>	<u>786</u>
Total operating expenses	<u>1,238,256</u>	<u>1,202,854</u>	<u>297,327</u>	<u>2,738,437</u>
Operating income (loss)	<u>103,773</u>	<u>587,908</u>	<u>(14,118)</u>	<u>677,563</u>
Nonoperating revenues (expenses):				
Interest income	23,423	4,406	376	28,205
Interest expense and fees	(52,108)	(374,010)	-	(426,118)
Other revenue	<u>3,973</u>	<u>15,294</u>	<u>-</u>	<u>19,267</u>
Total nonoperating revenues (expenses)	<u>(24,712)</u>	<u>(354,310)</u>	<u>376</u>	<u>(378,646)</u>
Net income (loss)	79,061	233,598	(13,742)	298,917
Net position, beginning of year	<u>4,209,544</u>	<u>7,302,984</u>	<u>193,691</u>	<u>11,706,219</u>
Net position, end of year	<u>\$ 4,288,605</u>	<u>\$ 7,536,582</u>	<u>\$ 179,949</u>	<u>\$ 12,005,136</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, 2017**

	ENTERPRISE FUNDS			TOTALS
	WATER	WASTEWATER	SOLID WASTE	
Cash flows from operating activities:				
Cash receipts from customers	\$ 1,312,167	\$ 1,787,603	\$ 281,416	\$ 3,381,186
Cash payments to suppliers	(524,896)	(497,027)	(226,085)	(1,248,008)
Cash paid to employees	(466,068)	(295,285)	(53,055)	(814,408)
Net cash provided by operating activities	<u>321,203</u>	<u>995,291</u>	<u>2,276</u>	<u>1,318,770</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(99,223)	(178,081)	(8,124)	(285,428)
Proceeds from sale of equipment	457	457	-	914
Principal paid on revenue bonds	(205,000)	(187,887)	-	(392,887)
Interest and fees paid on debt	(54,543)	(374,577)	-	(429,120)
Net cash used in capital and related financing activities	<u>(358,309)</u>	<u>(740,088)</u>	<u>(8,124)</u>	<u>(1,106,521)</u>
Cash flows from investing activities:				
Interest received on cash accounts	24,180	4,406	376	28,962
Other receipts	3,655	14,976	-	18,631
Net cash provided by investing activities	<u>27,835</u>	<u>19,382</u>	<u>376</u>	<u>47,593</u>
Net increase (decrease) in cash and cash equivalents	(9,271)	274,585	(5,472)	259,842
Cash and cash equivalents, beginning 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, end of year	<u>\$ 1,585,253</u>	<u>\$ 1,865,890</u>	<u>\$ 132,577</u>	<u>\$ 3,583,720</u>
Cash and cash equivalents	\$ 964,823	\$ 1,474,098	\$ 132,577	\$ 2,571,498
Restricted cash and cash equivalents	620,430	391,792	-	1,012,222
Cash and cash equivalents, end of year	<u>\$ 1,585,253</u>	<u>\$ 1,865,890</u>	<u>\$ 132,577</u>	<u>\$ 3,583,720</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 103,773	\$ 587,908	\$ (14,118)	\$ 677,563
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	201,341	411,842	1,494	614,677
Pension expense	30,140	14,771	1,589	46,500
Changes in assets, deferred outflows of resources and liabilities:				
(Increase) decrease in receivables	(29,862)	(3,159)	(1,793)	(34,814)
(Increase) decrease in prepaid expenses	203	813	-	1,016
(Increase) decrease in deferred outflows of resources for pensions	(13,765)	(2,966)	(824)	(17,555)
Increase (decrease) in accounts payable	27,368	(375)	15,667	42,660
Increase (decrease) in compensated absences	7,151	(10,436)	-	(3,285)
Increase (decrease) in payroll and benefits	(1,826)	(3,107)	261	(4,672)
Decrease in customer deposits payable	(3,320)	-	-	(3,320)
Net cash provided by operating activities	<u>\$ 321,203</u>	<u>\$ 995,291</u>	<u>\$ 2,276</u>	<u>\$ 1,318,770</u>

See accompanying notes to the basic financial statements.

**CITY OF RICHMOND, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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**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**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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**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 and sidewalk improvements 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**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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**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**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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**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**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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**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 them. The City has one item that meets this criterion, contributions made to the pension plan in the 2017 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**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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**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**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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**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, 2017, the carrying amount of the City’s deposits was \$5,161,497 and the bank balance was \$5,172,311. Of the bank balance, \$250,000 was covered by federal depository insurance and \$4,922,311 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, 2017.

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**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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**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	\$ 225,153
Replacement accounts	225,573
Series 2001 Water Bonds:	
Principal retirement	161,250
Interest retirement	8,454
	620,430
Wastewater fund:	
Replacement account	27,111
Series 2013 Sewer Bonds:	
Principal retirement	95,000
Interest retirement	116,191
Series 2014 Sewer Bonds:	
Principal retirement	85,000
Interest retirement	56,909
Waterworks & Sewerage Revenue	
Bonds, Series A:	
Debt service reserve	11,581
	391,792
Total Proprietary funds	\$ 1,012,222

**CITY OF RICHMOND, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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**NOTE D - UTILITIES RECEIVABLES**

Utilities receivable represent user-based charges for services provided to the City's customers. Net receivables at September 30, 2017 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	\$ 214,771	\$ 2,800	\$ 211,971
Wastewater	290,694	16,050	274,644
Solid waste	<u>42,178</u>	<u>600</u>	<u>41,578</u>
Total	<u>\$ 547,643</u>	<u>\$ 19,450</u>	<u>\$ 528,193</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, 2016, on which the fiscal year ended September 30, 2017 levy was based, was \$61,421,648.

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	\$ 0.6499
Park	0.1622
Debt Service	<u>0.4035</u>
Total	<u>\$ 1.2156</u>

**CITY OF RICHMOND, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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**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, 2017 were as follows:

	General Fund	Park Fund	1/2 Cent Transportation Sales Tax Fund	Debt Service Fund	Municipal Complex Fund	Total
Property tax	\$ 25,752	\$ 6,427	\$ -	\$ 15,989	\$ -	\$ 48,168
Sales and use tax	141,398	33,160	66,322	-	33,160	274,040
Franchise taxes	59,884	-	-	-	-	59,884
	<u>\$227,034</u>	<u>\$ 39,587</u>	<u>\$ 66,322</u>	<u>\$ 15,989</u>	<u>\$ 33,160</u>	<u>\$382,092</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

The City has entered into contracts for the construction of a sidewalk north along Highway 13. The total cost of the contracts is \$542,508 and is partially funded by a Missouri Department of Transportation grant (80/20 match). As of September 30, 2017, \$92,023 in costs had been incurred on this project.

**CITY OF RICHMOND, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**NOTE H - CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended September 30, 2017.

	<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	\$ 2,541	\$ -	\$ 435,119
Construction in progress	24,382	738,178	-	762,560
Total capital assets, not being depreciated	<u>456,960</u>	<u>740,719</u>	<u>-</u>	<u>1,197,679</u>
Depreciable capital assets:				
Buildings and improvements	12,498,949	183,977	-	12,682,926
Vehicles	632,118	21,317	-	653,435
Equipment	2,724,427	186,934	-	2,911,361
Information systems	191,099	10,785	9,002	192,882
Office furniture and fixtures	77,788	-	-	77,788
Total capital assets being depreciated	<u>16,124,381</u>	<u>403,013</u>	<u>9,002</u>	<u>16,518,392</u>
Less accumulated depreciation:				
Buildings and improvements	2,699,807	413,344	-	3,113,151
Vehicles	555,467	34,523	-	589,990
Equipment	2,509,850	90,915	-	2,600,765
Information systems	175,267	8,675	7,274	176,668
Office furniture and fixtures	76,239	597	-	76,836
Total accumulated depreciation	<u>6,016,630</u>	<u>548,054</u>	<u>7,274</u>	<u>6,557,410</u>
Total capital assets being depreciated, net	<u>10,107,751</u>	<u>(145,041)</u>	<u>1,728</u>	<u>9,960,982</u>
Governmental activities capital assets, net	<u>\$ 10,564,711</u>	<u>\$ 595,678</u>	<u>\$ 1,728</u>	<u>\$ 11,158,661</u>

Depreciation expense was charged to the governmental activities as follows:

Administration	\$ 153,330
Public safety	112,069
Public works	148,435
Community development	2,384
Cemetery, parks and recreation	131,836
	<u>\$ 548,054</u>

**CITY OF RICHMOND, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**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	-	-	-	-
Total capital assets, not being depreciated	<u>385,486</u>	<u>-</u>	<u>-</u>	<u>385,486</u>
Capital assets, being depreciated:				
Buildings and improvements	52,498	24,374	-	76,872
Vehicles	522,347	69,298	-	591,645
Equipment	483,431	134,900	8,740	609,591
Information systems	91,241	-	-	91,241
Treatment facility	13,844,218	10,080	-	13,854,298
Production and transmission system	<u>9,320,789</u>	<u>46,776</u>	<u>-</u>	<u>9,367,565</u>
Total capital assets being depreciated	<u>24,314,524</u>	<u>285,428</u>	<u>8,740</u>	<u>24,591,212</u>
Less accumulated depreciation:				
Buildings and improvements	35,794	2,285	-	38,079
Vehicles	468,526	25,460	-	493,986
Equipment	242,724	52,450	8,462	286,712
Information systems	52,656	23,196	-	75,852
Treatment facility	1,832,124	313,226	-	2,145,350
Production and transmission system	<u>3,574,234</u>	<u>198,060</u>	<u>-</u>	<u>3,772,294</u>
Total accumulated depreciation	<u>6,206,058</u>	<u>614,677</u>	<u>8,462</u>	<u>6,812,273</u>
Total capital assets being depreciated, net	<u>18,108,466</u>	<u>(329,249)</u>	<u>278</u>	<u>17,778,939</u>
Business-type activities capital assets, net	<u>\$ 18,493,952</u>	<u>\$ (329,249)</u>	<u>\$ 278</u>	<u>\$ 18,164,425</u>

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

Water	\$ 201,341
Wastewater	411,842
Solid waste	<u>1,494</u>
	<u>\$ 614,677</u>

**CITY OF RICHMOND, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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**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](http://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.

2017 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, 2017, the following employees were covered by the benefit terms:

Retirees and beneficiaries	32
Inactive, nonretired	46
Active employees	47
	125

**CITY OF RICHMOND, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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**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 5.40% General, 12.80% Police and 4.00% Fire of annual covered payroll.

Net Pension Liability

The employer's net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2017.

Actuarial Assumptions

The total pension liability in the February 28, 2017 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 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

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 28, 2017 valuation were based on the 5-year experience study for the period March 1, 2011 through February 29, 2016.

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**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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**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%	2.93%
Real Assets	21.00%	3.31%
Strategic Assets	10.00%	5.73%

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	Current Single Discount Rate Assumption	1% Increase
	<u>6.25%</u>	<u>7.25%</u>	<u>8.25%</u>
Total Pension Liability (TPL)	\$ 6,229,755	\$ 5,377,313	\$ 4,688,095
Plan Fiduciary Net Position	<u>5,916,591</u>	<u>5,916,591</u>	<u>5,916,591</u>
Net Pension Liability/(Asset) (NPL)	<u>\$ 313,164</u>	<u>\$ (539,278)</u>	<u>\$ (1,228,496)</u>

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

For the year ended September 30, 2017 the employer recognized pension expense of \$239,161. 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**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**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	\$ 12,602	\$ (57,537)	\$ 19,517	\$ (13,739)	\$ 3,603	\$ (37,271)
Changes in assumptions	59,858	-	12,968	-	12,175	-
Net difference between projected and actual earnings	87,788	-	25,641	-	33,537	-
Employer contributions subsequent to the measurement date *	15,541	-	16,294	-	4,776	-
	\$ 175,789	\$ (57,537)	\$ 74,420	\$ (13,739)	\$ 54,091	\$ (37,271)

\* 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, 2017.

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

Year Ending	Net Deferred Outflows (Inflows) of Resources		
	June 30,	General	Police
2018	\$ 67,757	\$ 14,499	\$ 16,051
2019	55,155	24,922	16,049
2020	12,416	10,232	3,271
2021	(32,617)	(5,266)	(16,095)
2022	-	-	(4,516)
Thereafter	-	-	(2,716)
Total	\$ 102,711	\$ 44,387	\$ 12,044

**Payable to the Pension Plan**

At September 30, 2017, the City reported a payable of \$195,597 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

**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](http://www.molagers.org).

**CITY OF RICHMOND, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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**NOTE J - LONG-TERM DEBT**

Changes in long-term debt during the year ended September 30, 2017 were as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount due within one year
Governmental Activities:					
General obligation bonds	\$ 1,645,000	\$ -	\$ 190,000	\$ 1,455,000	\$ 205,000
Lease purchases	4,180,754	500,000	185,502	4,495,252	198,514
Compensated absences	<u>103,707</u>	<u>-</u>	<u>123</u>	<u>103,584</u>	<u>103,584</u>
Total Governmental Activities	<u>\$ 5,929,461</u>	<u>\$ 500,000</u>	<u>\$ 375,625</u>	<u>\$ 6,053,836</u>	<u>\$ 507,098</u>
Business-Type Activities:					
Waterworks & Sewerage Revenue Bonds	\$ 10,471,979	\$ -	\$ 392,887	\$ 10,079,092	\$ 412,742
Compensated absences	<u>30,385</u>	<u>-</u>	<u>3,285</u>	<u>27,100</u>	<u>27,100</u>
Total Business-Type Activities	<u>\$ 10,502,364</u>	<u>\$ -</u>	<u>\$ 396,172</u>	<u>\$ 10,106,192</u>	<u>\$ 439,842</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**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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**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>\$ 1,455,000</u>
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**Lease purchases:**

Lease purchase for municipal complex due in varying annual installments through July 2043, interest of 2.125% to 4.25%	\$ 4,065,000
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Lease purchase for police car cameras due in monthly installments of \$655 through October 2017, interest at 5.010%	652
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Lease purchase for copy machine due in monthly installments of \$69 through February 2019, interest at 4.00%	1,206
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Lease purchase for park improvements due in monthly installments of \$8,825 through December 2021, interest at 2.3%	<u>428,394</u>
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	<u>\$ 4,495,252</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%	\$ 910,000
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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%	5,135,000
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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%	3,115,000
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Combined Waterworks & Sewerage Revenues Bonds Series A, due in monthly installments of \$3,619 through February 2050, interest at 2.75%	<u>919,092</u>
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	<u>\$ 10,079,092</u>
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**CITY OF RICHMOND, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**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
2018	\$ 205,000	\$ 48,456	\$ 198,514	\$ 160,929	\$ 403,514	\$ 209,385	\$ 412,742	\$ 420,534
2019	210,000	41,181	204,666	156,240	414,666	197,421	428,230	403,858
2020	220,000	32,581	206,632	151,461	426,632	184,042	433,731	386,157
2021	235,000	24,304	213,994	145,966	448,994	170,270	449,246	367,817
2022	240,000	16,466	136,446	140,896	376,446	157,362	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	-	-	-	-	-	-	27,205	1,156
<b>Total</b>	<b>\$ 1,455,000</b>	<b>\$ 172,504</b>	<b>\$ 4,495,252</b>	<b>\$ 2,537,146</b>	<b>\$ 5,950,252</b>	<b>\$ 2,709,650</b>	<b>\$ 10,079,092</b>	<b>\$ 6,218,707</b>

**CITY OF RICHMOND, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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**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, 2017, interest earnings from the 2001A reserve funds totaled \$15,638. 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.

**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:

	<u>Governmental Activities</u>
Building	\$ 3,611,326
Equipment	72,867
Less: Accumulated depreciation	<u>(846,733)</u>
Total	<u>\$ 2,837,460</u>

**NOTE K - INTERFUND TRANSFERS**

During the year, the City transferred \$1,800 from the Police Training Fund to the General Fund for capital outlay expenditures.

**CITY OF RICHMOND, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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**NOTE L - FUND BALANCES**

The following is a summary of the Governmental Fund balances of the City at September 30, 2017.

<u>Classification/Fund</u>	<u>Purpose</u>	
Nonspendable:		
General Fund	Inventory	\$ 66,339
General Fund	Prepaid expenses	24,215
		<u>90,554</u>
Park	Prepaid expenses	2,141
Cemetery trust fund	Cemetery	103,335
Total Nonspendable		<u>196,030</u>
Committed:		
1/2 cent transportation sales tax	Capital improvements	<u>450,485</u>
Restricted:		
Park	Capital improvements	156,562
Other governmental	Police training	11,690
1/2 cent transportation sales tax	Capital improvements	249,887
Debt service	Debt payments	261,874
Municipal complex	Debt payments	35,942
Total Restricted		<u>715,955</u>
Unassigned:		
General Fund		<u>670,372</u>
Total Fund Balances		<u>\$ 2,032,842</u>

**NOTE M - TAX ABATEMENTS**

The City utilizes various economic development tools to attract new businesses to the City and to retain and improve current businesses in order to grow the local economy. Incentive agreements are entirely discretionary and are considered on a case-by-case basis by the City Council. The City is not subject to any tax abatement agreements entered into by other governmental entities.

The City enters into property tax abatement agreements pursuant to Article VI, Section 27(b) of the Missouri Constitution and Sections 100.010 to 100.200 of the Revised Statutes of Missouri and Chapter 353 of the Revised Statutes of Missouri. The City enters into sales tax rebate agreements pursuant to Section 70.220 of the Revised Statutes of Missouri.

For the year ended September 30, 2017, the City had agreements for abated property taxes totaling \$28,690 under the Chapter 353 program. Tax abatements range from 50% to 100%. Under the agreements, the developers have agreed to pay payments in lieu of taxes, which amounted to \$402 for fiscal year 2017. The net effect for the year ended September 30, 2017 is a property tax abatement of \$28,287.

For the year ended September 30, 2017, the City had a sales tax rebate agreement with rebates totaling \$948.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF RICHMOND, MISSOURI**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		(NEGATIVE)
<b>REVENUES:</b>				
Sales and use tax	\$ 1,175,000	\$ 1,175,000	\$ 1,072,371	\$ (102,629)
Property tax	426,250	426,250	437,292	11,042
Franchise tax	531,800	531,800	573,783	41,983
Licenses and permits	52,050	53,150	71,766	18,616
Other local taxes	283,000	283,000	285,972	2,972
Fines, tickets and fees	140,935	140,785	119,762	(21,023)
Charges for services	182,425	181,975	164,910	(17,065)
Grants and contributions	10,000	14,260	33,088	18,828
Interest revenue	15,300	15,300	13,321	(1,979)
Other revenue	134,500	134,000	144,032	10,032
Total Revenues	<u>2,951,260</u>	<u>2,955,520</u>	<u>2,916,297</u>	<u>(39,223)</u>
<b>EXPENDITURES:</b>				
Administration	383,242	388,242	345,907	42,335
Public safety	1,722,564	1,732,194	1,631,113	101,081
Public works	323,495	323,495	293,134	30,361
Community development	230,996	230,996	131,215	99,781
Cemetery, parks and recreation	363,621	385,021	322,244	62,777
Capital outlay	325,850	331,840	304,508	27,332
Debt service:				
Principal	7,625	7,625	13,896	(6,271)
Interest and fees	245	245	382	(137)
Total Expenditures	<u>3,357,638</u>	<u>3,399,658</u>	<u>3,042,399</u>	<u>357,259</u>
<b>Other financing sources (uses):</b>				
Debt proceeds	109,000	104,500	-	(104,500)
Transfers	-	-	1,800	1,800
Total other financings sources (uses)	<u>109,000</u>	<u>104,500</u>	<u>1,800</u>	<u>(102,700)</u>
Net change in fund balance	<u>\$ (297,378)</u>	<u>\$ (339,638)</u>	(124,302)	<u>\$ 215,336</u>
Fund balance, beginning of year - budgetary basis			<u>788,990</u>	
Fund balance, end of year - budgetary basis			664,688	
<b>GAAP adjustments:</b>				
Receivables:				
Taxes			201,283	
Grants			1,494	
Accounts			6,287	
Accounts payable			(36,166)	
Accrued payroll and benefits			<u>(76,660)</u>	
Fund balances, end of year - GAAP basis			<u>\$ 760,926</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, 2017**

	BUDGET		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE (NEGATIVE)
<b>REVENUES:</b>				
Sales and use tax	\$ 278,000	\$ 278,000	\$ 257,665	\$ (20,335)
Property tax	99,275	99,275	100,519	1,244
Charges for services	2,300	2,300	2,644	344
Grants and contributions	20,000	20,000	12,638	(7,362)
Interest revenue	625	625	1,165	540
Other revenue	-	-	6,901	6,901
Total Revenues	<u>400,200</u>	<u>400,200</u>	<u>381,532</u>	<u>(18,668)</u>
<b>EXPENDITURES:</b>				
Parks	201,811	249,161	174,149	75,012
Capital outlay	695,000	707,270	749,189	(41,919)
Debt service:				
Principal	47,300	71,610	71,606	4
Interest and fees	<u>5,900</u>	<u>7,825</u>	<u>7,820</u>	<u>5</u>
Total Expenditures	<u>950,011</u>	<u>1,035,866</u>	<u>1,002,764</u>	<u>33,102</u>
<b>Other financing sources (uses):</b>				
Debt proceeds	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Net change in fund balance	<u>\$ (49,811)</u>	<u>\$ (135,666)</u>	(121,232)	<u>\$ 14,434</u>
Fund balance, beginning of year - budgetary basis			<u>282,734</u>	
Fund balance, end of year - budgetary basis			161,502	
<b>GAAP adjustments:</b>				
Receivables:				
Taxes			33,159	
Accounts payable			(32,528)	
Accrued payroll and benefits			<u>(3,430)</u>	
Fund balances, end of year - GAAP basis			<u>\$ 158,703</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, 2017**

	BUDGET		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE (NEGATIVE)
<b>REVENUES:</b>				
Sales and use tax	\$ 556,005	\$ 556,005	\$ 515,359	\$ (40,646)
Grant revenue	408,000	408,000	70,207	(337,793)
Interest revenue	1,300	1,300	1,716	416
Other revenue	-	-	874	874
	<u>965,305</u>	<u>965,305</u>	<u>588,156</u>	<u>(377,149)</u>
<b>EXPENDITURES:</b>				
Public works	494,433	494,433	441,569	52,864
Capital outlay	560,000	560,000	92,682	467,318
	<u>1,054,433</u>	<u>1,054,433</u>	<u>534,251</u>	<u>520,182</u>
<b>Other financing sources (uses):</b>				
Transfers	60,000	60,000	-	(60,000)
Net change in fund balance	<u>\$ (29,128)</u>	<u>\$ (29,128)</u>	53,905	<u>\$ 83,033</u>
Fund balance, beginning of year - budgetary basis			<u>577,433</u>	
Fund balance, end of year - budgetary basis			631,338	
<b>GAAP adjustments:</b>				
Receivables:				
Taxes			66,322	
Grants			3,412	
Accounts payable			(452)	
Accrued payroll and benefits			<u>(248)</u>	
Fund balances, end of year - GAAP basis			<u>\$ 700,372</u>	

See accompanying notes to the required supplementary information.

**CITY OF RICHMOND, MISSOURI**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - MUNICIPAL COMPLEX FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		(NEGATIVE)
<b>REVENUES:</b>				
Sales and use tax	\$ 278,000	\$ 278,000	\$ 257,664	\$ (20,336)
Interest revenue	-	-	82	82
Total Revenues	<u>278,000</u>	<u>278,000</u>	<u>257,746</u>	<u>(20,254)</u>
<b>EXPENDITURES:</b>				
Capital outlay	22,000	22,000	-	22,000
Debt service:				
Principal	100,000	100,000	100,000	-
Interest and fees	<u>155,055</u>	<u>155,055</u>	<u>154,968</u>	<u>87</u>
Total Expenditures	<u>277,055</u>	<u>277,055</u>	<u>254,968</u>	<u>22,087</u>
Net change in fund balance	<u>\$ 945</u>	<u>\$ 945</u>	2,778	<u>\$ 1,833</u>
Fund balance, beginning of year - budgetary basis			<u>4</u>	
Fund balance, end of year - budgetary basis			2,782	
<b>GAAP adjustments:</b>				
Receivables:				
Taxes			<u>33,160</u>	
Fund balances, end of year - GAAP basis			<u>\$ 35,942</u>	

See accompanying notes to the required supplementary information.

**CITY OF RICHMOND, MISSOURI**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2017**

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**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 1<sup>st</sup>, the budget is legally enacted through the passage of an ordinance.
4. The legal level of control for the budget is at the fund level, and City management can not amend the budget without approval of the City Council. However, the City Administrator has the authority to transfer budgeted amounts between departments within any fund. The City Council must approve any revisions that alters the total budgeted expenditures of any fund. Unexpended appropriations lapse at year end.
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,**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total Pension Liability</b>			
Service Cost	\$ 147,645	\$ 143,622	\$ 131,825
Interest on Total Pension Liability	367,012	334,717	310,434
Changes of Benefit Terms	-	-	-
Difference between expected and actual experience	(56,038)	(51,704)	23,997
Changes of Assumptions	-	154,537	-
Benefit payments, including refunds	<u>(139,562)</u>	<u>(135,923)</u>	<u>(138,275)</u>
<b>Net change in total pension liability</b>	319,057	445,249	327,981
<b>Total pension liability - beginning</b>	<u>5,058,256</u>	<u>4,613,007</u>	<u>4,285,026</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 5,377,313</u>	<u>\$ 5,058,256</u>	<u>\$ 4,613,007</u>
 <b>Plan fiduciary net position</b>			
Contributions - employer	134,950	150,079	162,873
Contributions - employee	-	-	-
Net investment income	630,563	(7,286)	103,072
Benefit payments, including refunds	(139,562)	(135,923)	(138,278)
Pension Plan Administrative Expense	(9,019)	(7,993)	(9,321)
Other (Net Transfers)	<u>4,887</u>	<u>(19,993)</u>	<u>31,555</u>
<b>Net change in plan fiduciary net position</b>	621,819	(21,116)	149,901
<b>Plan fiduciary net position - beginning</b>	<u>5,294,772</u>	<u>5,315,888</u>	<u>5,165,984</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 5,916,591</u>	<u>\$ 5,294,772</u>	<u>\$ 5,315,885</u>
<b>Net pension liability/(asset) - ending (a) - (b)</b>	<u>\$ (539,278)</u>	<u>\$ (236,516)</u>	<u>\$ (702,878)</u>
 <b>Plan fiduciary net position as a percentage of the total pension liability</b>	110.03%	104.68%	115.24%
 <b>Covered-employee payroll</b>	\$ 1,869,237	\$ 1,955,102	\$ 1,887,321
 <b>Net pension liability/(asset) as a percentage of covered employee payroll</b>	(28.85)%	(12.10)%	(37.24)%

**CITY OF RICHMOND, MISSOURI  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
LAST 10 FISCAL YEARS  
SEPTEMBER 30, 2017**

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<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>
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%
2017	135,052	135,052	-	1,977,078	6.83%

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, 2017**

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<b>Valuation date:</b>	February 28, 2017
<b>Notes:</b>	The roll-forward of total pension liability from February 28, 2017 to June 30, 2017 reflects expected service cost and interest reduced by actual benefit payments.
<b>Methods and Assumptions Used to Determine Contribution Rates:</b>	
<b>Actuarial Cost Method</b>	Entry Age Normal AND Modified Terminal Funding
<b>Amortization Method</b>	A level percentage of payroll amortization method is used to amortize the UAAL over a closed period of years. If the UAAL (excluding the UAAL associated with benefit changes) is negative, then this amount is amortized over the greater of (i) the remaining initial amortization period or (ii) 15 years.
<b>Remaining Amortization Period</b>	Multiple bases from 15 to 18 years for General and Fire Division Multiple bases from 13 to 18 years for Police Division
<b>Asset Valuation Method</b>	5-Year smoothed market; 20% corridor
<b>Inflation</b>	3.25% wage inflation; 2.50% price inflation
<b>Salary Increases</b>	3.25% to 6.55% including wage inflation for General and Police Division 3.25% to 7.15% including wage inflation for Fire Division
<b>Investment Rate of Return</b>	7.25% net of investment and administrative expenses
<b>Retirement Age</b>	Experience-based table of rates that are specific to the type of eligibility condition.
<b>Mortality</b>	<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>
<b>Other information:</b>	None

## **SUPPLEMENTARY INFORMATION**

**CITY OF RICHMOND, MISSOURI**  
**COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2017**

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	<u>SPECIAL REVENUE FUND</u>	<u>PERMANENT FUND</u>	<u>TOTAL OTHER GOVERNMENTAL FUNDS</u>
	<u>POLICE TRAINING</u>	<u>CEMETERY TRUST</u>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 11,937	\$ 103,335	\$ 115,272
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities	\$ 247	\$ -	\$ 247
Fund balances:			
Nonspendable	-	103,335	103,335
Restricted	<u>11,690</u>	<u>-</u>	<u>11,690</u>
Total Fund Balances	<u>11,690</u>	<u>103,335</u>	<u>115,025</u>
Total Liabilities and Fund Balances	<u>\$ 11,937</u>	<u>\$ 103,335</u>	<u>\$ 115,272</u>

**CITY OF RICHMOND, MISSOURI**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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	SPECIAL REVENUE FUND	PERMANENT FUND	TOTAL OTHER GOVERNMENTAL FUNDS
	<u>POLICE TRAINING</u>	<u>CEMETERY FUND</u>	<u>GOVERNMENTAL FUNDS</u>
REVENUES:			
Fines, tickets and fees	\$ 4,548	\$ -	\$ 4,548
Charges for services	-	765	765
Interest revenue	<u>38</u>	<u>262</u>	<u>300</u>
Total Revenues	<u>4,586</u>	<u>1,027</u>	<u>5,613</u>
EXPENDITURES:			
Public safety	5,952	-	5,952
Cemetery	<u>-</u>	<u>259</u>	<u>259</u>
Total Expenditures	<u>5,952</u>	<u>259</u>	<u>6,211</u>
Excess (deficiency) of revenues over expenditures	(1,366)	768	(598)
Other financing sources (uses):			
Transfers	<u>(1,800)</u>	<u>-</u>	<u>(1,800)</u>
Net change in fund balances	(3,166)	768	(2,398)
Fund balance, beginning of year	<u>14,856</u>	<u>102,567</u>	<u>117,423</u>
Fund balance, end of year	<u>\$ 11,690</u>	<u>\$ 103,335</u>	<u>\$ 115,025</u>

## **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, 2017, 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 26, 2017.

**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 over compliance* 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 in internal control over compliance* is a deficiency, or a 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 2017-001 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*.

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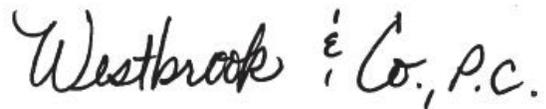
Member, American Institute of Certified Public Accountants; Missouri Society of Certified Public Accountants

### **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.

A handwritten signature in black ink that reads "Westbrook & Co., P.C." The signature is written in a cursive, flowing style.

Richmond, Missouri  
December 26, 2017

**CITY OF RICHMOND, MISSOURI  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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**MATERIAL WEAKNESS**  
2017-001 - 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 two distinct and separate offices (collections and billings) would be required to segregate cash receipts duties properly, i.e. remove the Collector's ability to make all billing adjustments.