

CITY OF RICHMOND, MISSOURI

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

FOR THE YEAR ENDED SEPTEMBER 30, 2011

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Richmond, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Richmond, Missouri, as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Richmond as of September 30, 2011, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2012 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 14 and 43 through 46, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information presented on pages 50 and 51 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Westbrook & Co., P.C.

February 13, 2012



City of Richmond

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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, 2011. Please read this section in conjunction with the City's financial statements, which follow this section.

Financial Highlights

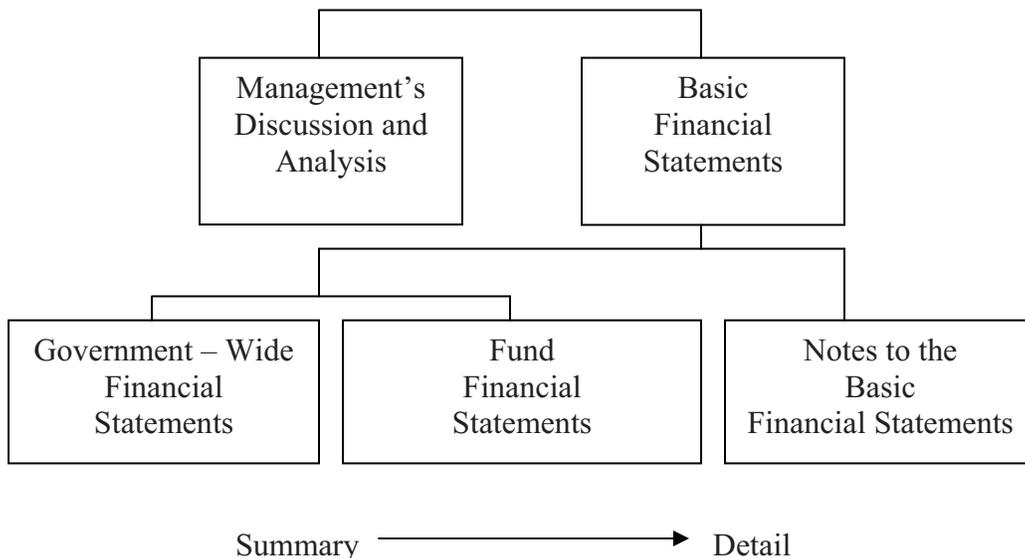
- The assets of the City of Richmond exceeded its liabilities by \$15,930,234. Of this amount, \$14,928,473 represents the City's investment in capital assets, net of related debt; \$704,358 is restricted for debt service and \$96,854 is restricted for perpetual care. There is a deficit of \$1,630,950 of net assets unrestricted for governmental activities and a positive balance of \$1,831,499 of net assets unrestricted for business-type activities.
- The City's total net assets increased \$1,262,669.
- The City's long-term debt decreased approximately \$575,000 during the current fiscal year.
- The citizens approved a \$4,700,000 bond to pay for the needed South Wastewater Treatment Plant improvements.

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



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

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

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

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

The fund financial statements provide more detailed information about the most significant funds - not the City as a whole. Funds are the accounting devices the City

uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by State law and by bond covenants. The City establishes other funds to help it control and manage its resources. A fund is a fiscal entity with a set of self-balancing accounts recording financial resources, together with all related liabilities and residual equities and balances, and the changes therein.

The City has two types of funds:

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

Government-Wide Financial Analysis

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

Figure 1

City of Richmond's Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Assets:						
Current & other assets	\$ 1,743,352	\$ 1,285,677	\$ 2,751,516	\$ 2,238,155	\$ 4,494,868	\$ 3,523,832
Capital assets, net	<u>11,328,803</u>	<u>11,301,435</u>	<u>10,818,072</u>	<u>11,059,348</u>	<u>22,146,875</u>	<u>22,360,783</u>
Total assets	<u>13,072,155</u>	<u>12,587,112</u>	<u>13,569,588</u>	<u>13,297,503</u>	<u>26,641,743</u>	<u>25,884,615</u>
Liabilities:						
Other liabilities	902,422	593,446	745,300	347,584	1,647,722	941,030
Long-term liabilities	<u>6,723,851</u>	<u>7,325,982</u>	<u>2,339,936</u>	<u>2,997,549</u>	<u>9,063,787</u>	<u>10,323,531</u>
Total liabilities	<u>7,626,273</u>	<u>7,919,428</u>	<u>3,085,236</u>	<u>3,345,133</u>	<u>10,711,509</u>	<u>11,264,561</u>
Net assets:						
Invested in capital assets, net of related debt	6,772,413	6,601,126	8,156,060	8,061,799	14,928,473	14,662,925
Restricted	304,419	235,718	496,793	538,178	801,212	773,896
Unrestricted	<u>(1,630,950)</u>	<u>(2,121,649)</u>	<u>1,831,499</u>	<u>1,352,393</u>	<u>200,549</u>	<u>(769,256)</u>
Total net assets	<u>\$ 5,445,882</u>	<u>\$ 4,715,195</u>	<u>\$ 10,484,352</u>	<u>\$ 9,952,370</u>	<u>\$ 15,930,234</u>	<u>\$ 14,667,565</u>

Net assets may serve over time as a useful indicator of a government's financial position. As shown in Figure 1, the City's combined net assets increased to \$15,930,234 from \$14,667,565 as a result of the increase in net assets reflected in Figure 2.

For the year ended September 30, 2011, net assets of the City changed as follows:

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues						
Program Revenues:						
Charges for services	\$ 235,552	\$ 285,941	\$ 2,835,551	\$ 2,923,168	\$ 3,071,103	\$ 3,209,109
Operating grants and contributions	54,622	70,924	-	-	54,622	70,924
Capital grants	-	288,740	-	-	-	288,740
General Revenues:						
Property Taxes	772,349	704,574	-	-	772,349	704,574
Sales and Use Taxes	1,812,698	1,816,772	-	-	1,812,698	1,816,772
Franchise and other taxes	1,070,938	1,025,948	2,651	2,827	1,073,589	1,028,775
Fines, tickets and fees	128,285	139,270	-	-	128,285	139,270
Interest revenue	14,200	11,046	54,932	61,299	69,132	72,345
Loss on disposal of assets	-	(11,830)	(1,950)	(6,594)	(1,950)	(18,424)
Total Revenues	<u>4,088,644</u>	<u>4,331,385</u>	<u>2,891,184</u>	<u>2,980,700</u>	<u>6,979,828</u>	<u>7,312,085</u>
Expenses						
Administration	667,721	634,218	-	-	667,721	634,218
Public safety	1,437,647	1,699,582	-	-	1,437,647	1,699,582
Public works	303,409	479,451	-	-	303,409	479,451
Community development	119,340	144,482	-	-	119,340	144,482
Cemetery, parks, & recreation	408,976	463,766	-	-	408,976	463,766
Interest long-term debt	420,864	325,284	-	-	420,864	325,284
Water	-	-	1,095,322	1,149,336	1,095,322	1,149,336
Wastewater	-	-	1,035,347	1,081,591	1,035,347	1,081,591
Solid Waste	-	-	228,533	258,183	228,533	258,183
Total Expenses	<u>3,357,957</u>	<u>3,746,783</u>	<u>2,359,202</u>	<u>2,489,110</u>	<u>5,717,159</u>	<u>6,235,893</u>
Change in net assets	730,687	584,602	531,982	491,590	1,262,669	1,076,192
Beginning net assets	<u>4,715,195</u>	<u>4,130,593</u>	<u>9,952,370</u>	<u>9,460,780</u>	<u>14,667,565</u>	<u>13,591,373</u>
Ending net assets	<u>\$ 5,445,882</u>	<u>\$ 4,715,195</u>	<u>\$ 10,484,352</u>	<u>\$ 9,952,370</u>	<u>\$ 15,930,234</u>	<u>\$ 14,667,565</u>

For the fiscal year ended September 30, 2011, government-wide revenues totaled \$6,979,828. Approximately 45% of all revenues are from charges for services, and 26% is from sales tax. See Figures 3 and 4.

Figure 3

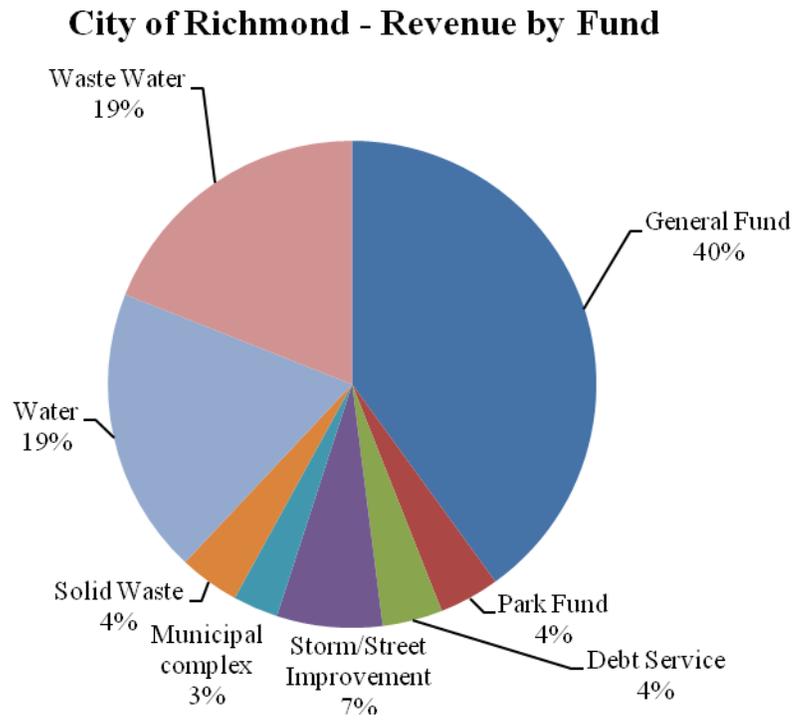
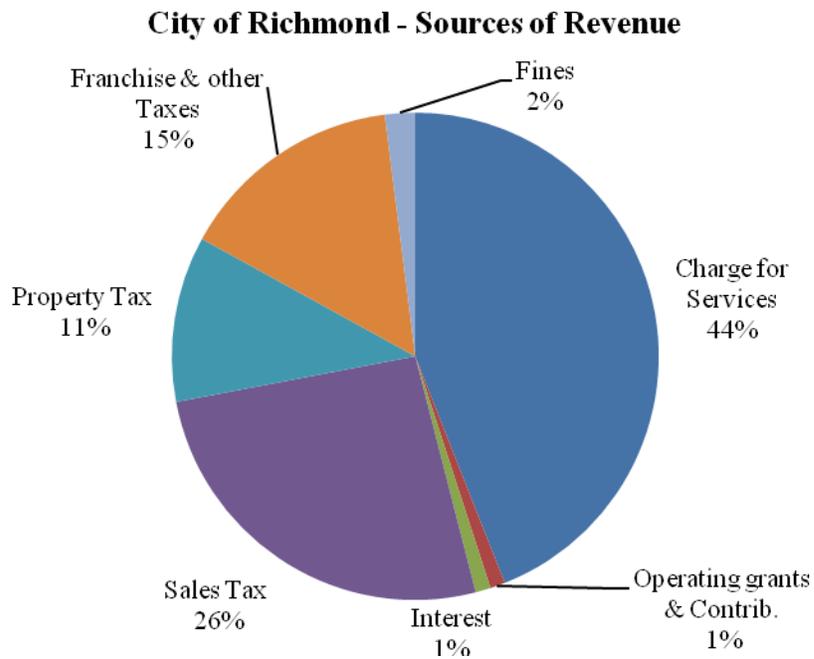


Figure 4



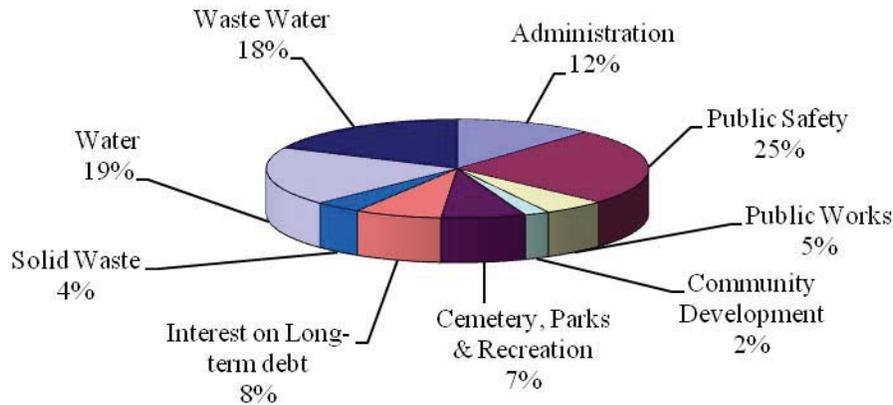
Charges for services are derived from users of the City's programs such as governmental programs and from fees from the users of the City's solid waste, water and wastewater operations.

The next largest revenue source for the entire City is sales tax. During the 2011 fiscal year sales tax revenues were \$1,812,698. The City of Richmond has a 1% sales tax to fund general governmental activities, a .5% sales tax for storm water and street improvements, a .25% sales tax to finance the municipal complex, and a .25% sales tax for parks. Sales tax activity has remained constant from last fiscal year.

The City's expenses cover a range of services. As shown in Figure 5, approximately 41% of all city expenses during the 2011 fiscal year were related to the three business-type activities, solid waste, water, and wastewater. The second largest expenditure in 2011 was public safety at 25%. Public safety is comprised of the police department, the fire department and dispatch.

Figure 5

City of Richmond - Functional Expenses



Governmental Activities

Governmental activities increased the City's net assets by \$730,687. For the fiscal year ended September 30, 2011, revenues totaled \$6,979,828 (governmental and business-type). Revenues from governmental activities were \$4,088,644 or 59% of the total city revenue.

Certain revenues are generated that are specific to governmental program activities. These totaled \$290,174. Figure 6 shows expenses and program revenues of the governmental activities for the years ended September 30, 2011 and 2010:

Figure 6

Net Cost of City of Richmond's Governmental Activities

	2011			2010		
	Cost of Services	Program Revenue	Net Cost of Service	Cost of Services	Program Revenue	Net Cost of Service
Administration	\$ 667,721	\$ 37,877	\$ 629,844	\$ 634,218	\$ 30,923	\$ 603,295
Public Safety	1,437,647	79,044	1,358,603	1,699,582	99,890	1,599,692
Public Works	303,409	-	303,409	479,451	285,621	193,830
Community Development	119,340	16,066	103,274	144,482	36,996	107,486
Cemetery, Parks & Recreation	408,976	157,187	251,789	463,766	192,175	271,591
Interest on long-term debt	420,864	-	420,864	325,284	-	325,284
Total	\$ 3,357,957	\$ 290,174	\$ 3,067,783	\$ 3,746,783	\$ 645,605	\$ 3,101,178

As noted in Figure 6, expenses from governmental activities totaled \$3,357,957. However, the net costs of these services were \$3,067,783. The difference represents direct revenues from charges for services of \$235,552, and grants and contributions of \$54,622. Taxes and other revenues were collected to cover these net costs.

Business-Type Activities

Business-type activities increased the City's net assets by \$531,982. Key elements of the change in net assets are as follows:

- Solid waste operating revenue decreased \$1,738 from the prior year, and operating expenses decreased \$29,650. Last year the solid waste fund net assets increased \$9,415. This year the solid waste fund net assets increased an additional \$37,440. The decrease in the Solid Waste operating expenses was due primarily to a change in the allocation formula of the administrative overhead. The new formula provides a clearer understanding of how funds and resources are used.
- Water operating revenue increased \$123 from the prior year, while operating expenses decreased \$47,036. Last year the water fund net assets increased \$175,125. This year the water fund net assets increased an additional \$227,660. The decrease in operating expenses was due primarily to a decrease in personnel expenses.
- Wastewater operating revenue decreased \$86,002 from the prior year, and operating expenses decreased \$38,092. Last year the wastewater fund net assets increased \$307,050. This year the wastewater fund net assets increased an

additional \$266,882. A majority of the decrease in Wastewater operating revenue was related to the increase in Summer Sewer Adjustments and less I&I in Henrietta and Woodrail due to less precipitation. The decrease in operating expenses was due primarily to a decrease in personnel expenses.

Financial Analysis of the City's Funds

The City of Richmond's governmental funds reported combined ending fund balances of \$1,186,969, an increase of \$564,786 over the prior year. This increase to the fund balance is a result of sound financial management and holding expenses to a minimum during the 2011 fiscal year. The fund balance of the General Fund by itself increased \$419,815 in fiscal year 2011. Last year the General Fund increased \$11,579. This increase is due to salary cuts, medical and insurance cost cuts, not filling some personnel vacancies, and careful management of all activities.

Budgetary Highlights

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

- Total original revenue budget for the General Fund of \$2,660,091 increased to \$2,693,981. The increase was due to the following item:
 - \$33,890 Additional Grant Revenue for the Fire Department
- Total original expense budget for the General Fund of \$2,465,575 increased to \$2,521,565. The majority of the increase was due to the following items:
 - \$4,000 Additional Vehicle Maintenance and Repairs Expenses for the Police Department
 - \$3,100 Additional Capital Asset (Equipment) for the Streets Department (Trailer)
 - \$33,890 Additional Grant Expenses for the Fire Department
 - \$15,000 Additional Accounting and Auditing Expenses for the Administration Department

The actual amounts for the General Fund on the budgetary basis was \$2,805,509 in revenue versus \$2,303,845 in expenses. The net change to the General Fund balance at the end of the year is an increase of \$444,658.

Capital Assets and Debt Administration

The fiscal year 2011 capital asset activity for governmental activities included the following expenditures:

- Ditch at Southview Park
- Completed the salt barn for the Street Department
- Completed Lexington Street improvements

- Equipment trailer for the Street Department
- Gravely 48” used ZT-2250 mower for the Street Department
- Playground equipment (3 handicap swing sets); one each at Maurice-Roberts Park, Armour Park, and Southview Park
- Completed the concession/bathroom building at Armour Park
- Sidewalk at A-Field
- Custom vinyl tennis nets
- Playground equipment at Southview Park
- 2011 street overlays
- Work on Garner/Wilson Street storm water improvements

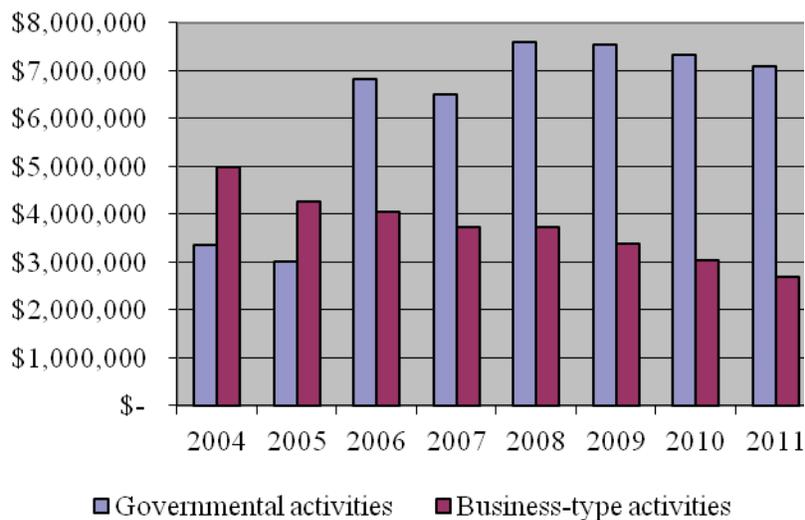
The year’s major capital asset activity for business-type activities included the following expenditures:

- Completed South Wastewater Plant Improvements
- Land for North Wastewater Treatment Plant
- Rehab of pump and rebuild the motor on Water Well #3
- Work on rehab of pump and rebuild the motor on Water Well #6
- Engineering work on upgrading and modernizing the South Wastewater Treatment Plant

In fiscal year 2011, long-term debt outstanding and other liabilities decreased by \$577,314. Long-term debt for the governmental activities decreased \$238,496. Long-term debt for the business-type activities decreased \$338,818.

Figure 7

City of Richmond Long-Term Debt



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

The South Wastewater Treatment Plant has significant deterioration and the City is planning to upgrade and modernize this Wastewater Treatment Plant (construction estimated to begin September 2012). The City will use the \$5,100,000 bond passed in April 2010, the \$4,700,000 bond passed in April 2011, an estimated \$400,000-\$600,000 of reserves of the wastewater fund, and the City will apply for a \$500,000 CDBG Grant, a \$420,000 Rural Development Grant, and a \$950,000 loan from USDA to pay for the Wastewater Treatment Plant upgrades. The North Wastewater Treatment Plant will be closed and a new lift station will be built at that site. A force main will be built to pump waste collected at the North Wastewater Treatment Plant location to the South Wastewater Treatment Plant for processing.

The City purchased land for \$201,000 for the disposal of the wastewater sludge in January 2012.

The Park Fund is in the process of purchasing additional land for a new park for approximately \$40,000. The Park Fund also plans to complete a \$550,000 parking lot upgrade of Southview Park. The parking lot project is expected to be funded by using \$200,000 cash and borrowing \$350,000.

The citizens approved a 5-year extension of the ½ cent Transportation Sales Tax in November 2012. This tax is used for transportation purposes including street improvements and related storm water improvements. The City is planning a \$100,000-\$150,000 storm water project on Wollard Boulevard and a \$200,000 street maintenance and improvements project in fiscal year 2012.

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

Contacting the City's Financial Management

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

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

CITY OF RICHMOND, MISSOURI
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,243,503	\$ 1,719,159	\$ 2,962,662
Receivables, net:			
Taxes	367,891	-	367,891
Accounts	-	442,597	442,597
Grants	245	-	245
Insurance proceeds receivable	-	7,724	7,724
Accrued interest	-	11,876	11,876
Prepaid expenses	18,380	7,052	25,432
Total current assets	<u>1,630,019</u>	<u>2,188,408</u>	<u>3,818,427</u>
Noncurrent assets:			
Restricted cash and cash equivalents	-	496,793	496,793
Bond issue costs, net	46,096	66,315	112,411
Inventory	67,237	-	67,237
Capital assets, net	11,328,803	10,818,072	22,146,875
Total noncurrent assets	<u>11,442,136</u>	<u>11,381,180</u>	<u>22,823,316</u>
 Total Assets	 <u>13,072,155</u>	 <u>13,569,588</u>	 <u>26,641,743</u>
LIABILITIES			
Current liabilities:			
Accounts payable	378,158	141,895	520,053
Accrued payroll and benefits	87,724	29,722	117,446
Accrued interest	8,035	33,636	41,671
Customer deposits	2,226	183,528	185,754
Total current liabilities	<u>476,143</u>	<u>388,781</u>	<u>864,924</u>
Noncurrent liabilities:			
Due in one year	363,635	356,519	720,154
Due in more than one year	6,723,851	2,339,936	9,063,787
Unamortized bond premium	62,644	-	62,644
Total noncurrent liabilities	<u>7,150,130</u>	<u>2,696,455</u>	<u>9,846,585</u>
 Total Liabilities	 <u>7,626,273</u>	 <u>3,085,236</u>	 <u>10,711,509</u>
NET ASSETS			
Net assets:			
Invested in capital assets, net of related debt	6,772,413	8,156,060	14,928,473
Restricted for:			
Perpetual care	96,854	-	96,854
Debt service	207,565	496,793	704,358
Unrestricted	(1,630,950)	1,831,499	200,549
 Total Net Assets	 <u>\$ 5,445,882</u>	 <u>\$ 10,484,352</u>	 <u>\$ 15,930,234</u>

See accompanying notes to the basic financial statements.

**CITY OF RICHMOND, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Primary Government:							
Governmental activities:							
Administration	\$ 667,721	\$ 28,705	\$ 9,172	\$ -	\$ (629,844)	\$ -	\$ (629,844)
Public safety	1,437,647	34,164	44,880	-	(1,358,603)	-	(1,358,603)
Public works	303,409	-	-	-	(303,409)	-	(303,409)
Community development	119,340	16,066	-	-	(103,274)	-	(103,274)
Cemetery, parks and recreation	408,976	156,617	570	-	(251,789)	-	(251,789)
Interest on long-term debt	420,864	-	-	-	(420,864)	-	(420,864)
Total governmental activities	3,357,957	235,552	54,622	-	(3,067,783)	-	(3,067,783)
Business-type activities:							
Water	1,095,322	1,284,812	-	-	-	189,490	189,490
Wastewater	1,035,347	1,284,792	-	-	-	249,445	249,445
Solid waste	228,533	265,947	-	-	-	37,414	37,414
Total business-type activities	2,359,202	2,835,551	-	-	-	476,349	476,349
Total primary government	\$ 5,717,159	\$ 3,071,103	\$ 54,622	\$ -	(3,067,783)	476,349	(2,591,434)
General revenues:							
Property tax					772,349	-	772,349
Sales tax					1,812,698	-	1,812,698
Other local taxes					297,729	2,651	300,380
Franchise taxes					773,209	-	773,209
Fines, tickets and fees					128,285	-	128,285
Interest revenue					14,200	54,932	69,132
Loss on disposal of assets					-	(1,950)	(1,950)
Total general revenues					3,798,470	55,633	3,854,103
Change in net assets					730,687	531,982	1,262,669
Net assets, beginning of year					4,715,195	9,952,370	14,667,565
Net assets, end of year					\$ 5,445,882	\$ 10,484,352	\$ 15,930,234

See accompanying notes to the basic financial statements.

**CITY OF RICHMOND, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011**

	<u>GENERAL</u>	<u>PARK</u>	<u>1/2 CENT SALES TAX</u>	<u>DEBT SERVICE</u>	<u>MUNICIPAL COMPLEX</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTALS GOVERNMENTAL FUNDS</u>
ASSETS							
Cash and cash equivalents (deficit)	\$ 435,644	\$ 370,499	\$ 484,901	\$ 190,767	\$ (373,512)	\$ 135,204	\$ 1,243,503
Receivables, net:							
Taxes	215,763	37,637	65,129	16,798	32,564	-	367,891
Grants	245	-	-	-	-	-	245
Inventory	67,237	-	-	-	-	-	67,237
Prepaid expenses	17,304	1,076	-	-	-	-	18,380
	<u>17,304</u>	<u>1,076</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,380</u>
Total Assets	<u>\$ 736,193</u>	<u>\$ 409,212</u>	<u>\$ 550,030</u>	<u>\$ 207,565</u>	<u>\$ (340,948)</u>	<u>\$ 135,204</u>	<u>\$ 1,697,256</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 61,046	\$ 1,708	\$ 315,404	\$ -	\$ -	\$ -	\$ 378,158
Accrued liabilities	78,739	2,445	6,540	-	-	-	87,724
Payable from restricted assets:							
Municipal court bonds	2,226	-	-	-	-	-	2,226
Deferred revenue	20,308	5,073	-	16,798	-	-	42,179
	<u>20,308</u>	<u>5,073</u>	<u>-</u>	<u>16,798</u>	<u>-</u>	<u>-</u>	<u>42,179</u>
Total Liabilities	<u>162,319</u>	<u>9,226</u>	<u>321,944</u>	<u>16,798</u>	<u>-</u>	<u>-</u>	<u>510,287</u>
Fund balances:							
Nonspendable	84,541	1,076	-	-	-	38,350	123,967
Restricted	-	358,910	228,086	190,767	-	96,854	874,617
Committed	-	40,000	-	-	-	-	40,000
Unassigned	489,333	-	-	-	(340,948)	-	148,385
	<u>489,333</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(340,948)</u>	<u>-</u>	<u>148,385</u>
Total Fund Balances	<u>573,874</u>	<u>399,986</u>	<u>228,086</u>	<u>190,767</u>	<u>(340,948)</u>	<u>135,204</u>	<u>1,186,969</u>
Total Liabilities and Fund Balances	<u>\$ 736,193</u>	<u>\$ 409,212</u>	<u>\$ 550,030</u>	<u>\$ 207,565</u>	<u>\$ (340,948)</u>	<u>\$ 135,204</u>	<u>\$ 1,697,256</u>

See accompanying notes to the financial statements.

**CITY OF RICHMOND, MISSOURI
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011**

Fund Balances - Total Governmental Funds \$ 1,186,969

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

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

Governmental capital assets	\$ 16,216,417	
Less: accumulated depreciation	<u>(4,887,614)</u>	11,328,803

Certain revenues are not available to pay for current period expenditures
and therefore are deferred in the governmental funds. 42,179

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

General obligation bonds	(2,485,000)	
Notes payable	(11,852)	
Lease purchases	(4,515,180)	
Bond issuance costs	46,096	
Unamortized bond premium	<u>(62,644)</u>	(7,028,580)

Liabilities for compensated absences are recognized only when
paid in the governmental fund statements but are accrued in the
government-wide statements. (75,454)

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

Accrued interest		<u>(8,035)</u>
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Net Assets of Governmental Activities **\$ 5,445,882**

**CITY OF RICHMOND, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	GENERAL	PARK	1/2 CENT SALES TAX	DEBT SERVICE	MUNICIPAL COMPLEX	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:							
Sales tax	\$ 940,324	\$ 221,268	\$ 442,628	\$ -	\$ 221,271	\$ -	\$ 1,825,491
Property tax	373,441	88,208	-	302,703	-	-	764,352
Franchise tax	773,209	-	-	-	-	-	773,209
Licenses and permits	39,574	-	-	-	-	-	39,574
Other local taxes	297,729	-	-	-	-	-	297,729
Fines, tickets and fees	122,350	-	-	-	-	5,935	128,285
Charges for services	156,446	2,466	-	-	-	562	159,474
Grants	46,925	-	20,252	-	-	-	67,177
Interest revenue	11,504	511	441	340	-	590	13,386
Miscellaneous	46,995	324	-	-	-	-	47,319
Total Revenues	<u>2,808,497</u>	<u>312,777</u>	<u>463,321</u>	<u>303,043</u>	<u>221,271</u>	<u>7,087</u>	<u>4,115,996</u>
EXPENDITURES:							
Administration	362,450	-	-	-	-	-	362,450
Public safety	1,326,869	-	-	-	-	2,823	1,329,692
Public works	247,060	-	31,159	-	-	-	278,219
Community development	118,869	-	-	-	-	-	118,869
Cemetery, parks and recreation	240,538	106,040	-	-	-	7,648	354,226
Capital outlay	5,272	38,104	473,589	-	-	-	516,965
Debt service:							
Principal	27,314	44,595	-	125,000	85,626	-	282,535
Interest and fees	3,304	5,505	-	106,493	192,105	-	307,407
Total Expenditures	<u>2,331,676</u>	<u>194,244</u>	<u>504,748</u>	<u>231,493</u>	<u>277,731</u>	<u>10,471</u>	<u>3,550,363</u>
Excess (deficiency) of revenues over expenditures	<u>476,821</u>	<u>118,533</u>	<u>(41,427)</u>	<u>71,550</u>	<u>(56,460)</u>	<u>(3,384)</u>	<u>565,633</u>
Other financing sources (uses):							
Refunding bonds issued	-	-	-	2,355,000	-	-	2,355,000
Premium on refunding bonds	-	-	-	63,458	-	-	63,458
Payment to refunded bond escrow agent	-	-	-	(2,419,305)	-	-	(2,419,305)
Transfers	(57,006)	-	-	-	57,006	-	-
Total other financing sources (uses)	<u>(57,006)</u>	<u>-</u>	<u>-</u>	<u>(847)</u>	<u>57,006</u>	<u>-</u>	<u>(847)</u>
Net change in fund balances	419,815	118,533	(41,427)	70,703	546	(3,384)	564,786
Fund balance, beginning of year	<u>154,059</u>	<u>281,453</u>	<u>269,513</u>	<u>120,064</u>	<u>(341,494)</u>	<u>138,588</u>	<u>622,183</u>
Fund balance, end of year	<u>\$ 573,874</u>	<u>\$ 399,986</u>	<u>\$ 228,086</u>	<u>\$ 190,767</u>	<u>\$ (340,948)</u>	<u>\$ 135,204</u>	<u>\$ 1,186,969</u>

See accompanying notes to the basic financial statements.

CITY OF RICHMOND, MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Net Change in Fund Balances - Total Governmental Funds \$ 564,786

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	516,965	
Depreciation expense	<u>(489,597)</u>	27,368

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of bond issuance costs and premiums, whereas these amounts are deferred and amortized in the Statement of Activities.

Proceeds from refunding bonds	(2,355,000)	
Principal payments	2,597,535	
Bond issuance costs	46,695	
Premium on refunding bonds	<u>(63,458)</u>	225,772

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

Property taxes	7,997	
Franchise taxes	(12,793)	
Grants	<u>(23,371)</u>	(28,167)

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

Amortization of bond issuance costs	(56,272)	
Amortization of bond premium	814	
Accrued interest	425	
Compensated absences payable	<u>(4,039)</u>	<u>(59,072)</u>

Change in Net Assets of Governmental Activities \$ 730,687

CITY OF RICHMOND, MISSOURI
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2011

	WATER	WASTEWATER	SOLID WASTE	TOTALS
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 703,231	\$ 978,067	\$ 37,861	\$ 1,719,159
Receivables, net	208,781	195,211	38,605	442,597
Insurance proceeds receivable	7,724	-	-	7,724
Accrued interest	8,416	3,460	-	11,876
Prepaid expenses	3,135	3,917	-	7,052
Total current assets	931,287	1,180,655	76,466	2,188,408
Noncurrent assets:				
Restricted cash and cash equivalents	404,020	92,773	-	496,793
Bond issue costs, net	50,439	15,876	-	66,315
Capital assets, net	4,262,021	6,537,844	18,207	10,818,072
Total noncurrent assets	4,716,480	6,646,493	18,207	11,381,180
Total assets	\$ 5,647,767	\$ 7,827,148	\$ 94,673	\$ 13,569,588
 LIABILITIES AND NET ASSETS				
Current liabilities:				
Current portion of long-term debt	\$ 178,538	\$ 143,538	\$ -	\$ 322,076
Accounts payable	83,286	43,084	15,525	141,895
Customer deposits payable	183,528	-	-	183,528
Accrued interest	24,383	9,253	-	33,636
Accrued liabilities:				
Payroll and benefits	15,317	14,077	328	29,722
Compensated absences	16,644	17,799	-	34,443
Total current liabilities	501,696	227,751	15,853	745,300
Noncurrent liabilities:				
Notes payable	7,468	7,468	-	14,936
Bonds payable	1,875,000	450,000	-	2,325,000
Total noncurrent liabilities	1,882,468	457,468	-	2,339,936
Total liabilities	2,384,164	685,219	15,853	3,085,236
Net Assets:				
Invested in capital assets, net of related debt	2,201,015	5,936,838	18,207	8,156,060
Restricted for debt service	404,020	92,773	-	496,793
Unrestricted	658,568	1,112,318	60,613	1,831,499
Total net assets	3,263,603	7,141,929	78,820	10,484,352
Total liabilities and net assets	\$ 5,647,767	\$ 7,827,148	\$ 94,673	\$ 13,569,588

See accompanying notes to the basic financial statements.

CITY OF RICHMOND, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>WATER</u>	<u>WASTEWATER</u>	<u>SOLID WASTE</u>	<u>TOTALS</u>
Operating revenues:				
Charges for services	\$ 1,284,812	\$ 1,284,792	\$ 265,947	\$ 2,835,551
Operating expenses:				
Personnel services	374,729	361,679	28,377	764,785
Contractual services	240,762	321,866	192,579	755,207
Materials and supplies	162,208	37,414	6,827	206,449
Depreciation and amortization	205,879	274,721	607	481,207
Other operating expenses	899	637	143	1,679
Total operating expenses	<u>984,477</u>	<u>996,317</u>	<u>228,533</u>	<u>2,209,327</u>
Operating income	<u>300,335</u>	<u>288,475</u>	<u>37,414</u>	<u>626,224</u>
Nonoperating revenues (expenses):				
Interest income	37,677	17,229	26	54,932
Interest expense and fees	(110,845)	(39,030)	-	(149,875)
Loss on disposal of assets	(1,950)	-	-	(1,950)
Other revenue	2,443	208	-	2,651
Total nonoperating revenues (expenses)	<u>(72,675)</u>	<u>(21,593)</u>	<u>26</u>	<u>(94,242)</u>
Income	227,660	266,882	37,440	531,982
Net assets, beginning of year	<u>3,035,943</u>	<u>6,875,047</u>	<u>41,380</u>	<u>9,952,370</u>
Net assets, end of year	<u>\$ 3,263,603</u>	<u>\$ 7,141,929</u>	<u>\$ 78,820</u>	<u>\$ 10,484,352</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, 2011

	ENTERPRISE FUNDS			TOTALS
	WATER	WASTEWATER	SOLID WASTE	
Cash flows from operating activities:				
Cash receipts from customers	\$ 1,273,052	\$ 1,305,431	\$ 265,113	\$ 2,843,596
Cash payments to suppliers	(340,681)	(337,992)	(199,243)	(877,916)
Cash paid to employees	(378,104)	(362,114)	(28,238)	(768,456)
Net cash provided by operating activities	<u>554,267</u>	<u>605,325</u>	<u>37,632</u>	<u>1,197,224</u>
Cash flows from noncapital financing activities:				
Repayment of loan to other fund	<u>5,482</u>	<u>70,000</u>	<u>-</u>	<u>75,482</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(55,794)	(183,367)	-	(239,161)
Proceeds from sale of capital assets	9,750	-	-	9,750
Principal paid on revenue bonds	(170,000)	(130,000)	-	(300,000)
Principal paid on notes payable	(17,218)	(18,321)	-	(35,539)
Interest and fees paid on debt	(112,651)	(41,051)	-	(153,702)
Net cash used in capital and related financing activities	<u>(345,913)</u>	<u>(372,739)</u>	<u>-</u>	<u>(718,652)</u>
Cash flows from investing activities:				
Interest received on cash accounts	38,384	17,505	26	55,915
Other receipts	<u>2,443</u>	<u>208</u>	<u>-</u>	<u>2,651</u>
Net cash provided by investing activities	<u>40,827</u>	<u>17,713</u>	<u>26</u>	<u>58,566</u>
Net increase in cash and cash equivalents	254,663	320,299	37,658	612,620
Cash and cash equivalents, beginning of year	<u>852,588</u>	<u>750,541</u>	<u>203</u>	<u>1,603,332</u>
Cash and cash equivalents, end of year	<u>\$ 1,107,251</u>	<u>\$ 1,070,840</u>	<u>\$ 37,861</u>	<u>\$ 2,215,952</u>
Cash and cash equivalents	\$ 703,231	\$ 978,067	\$ 37,861	\$ 1,719,159
Restricted cash and cash equivalents	<u>404,020</u>	<u>92,773</u>	<u>-</u>	<u>496,793</u>
Cash and cash equivalents, end of year	<u>\$ 1,107,251</u>	<u>\$ 1,070,840</u>	<u>\$ 37,861</u>	<u>\$ 2,215,952</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 300,335	\$ 288,475	\$ 37,414	\$ 626,224
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	205,879	274,721	607	481,207
Changes in assets and liabilities:				
(Increase) decrease in receivables	(4,036)	20,639	(834)	15,769
(Increase) decrease in insurance proceeds receivable	(7,724)	-	-	(7,724)
(Increase) decrease in prepaid expenses	2,224	13	44	2,281
Increase (decrease) in accounts payable	55,616	21,912	262	77,790
Increase (decrease) in compensated absences	(2,959)	(322)	139	(3,142)
Increase (decrease) in payroll and benefits	(416)	(113)	-	(529)
Increase (decrease) in customer deposits payable	<u>5,348</u>	<u>-</u>	<u>-</u>	<u>5,348</u>
Net cash provided by operating activities	<u>\$ 554,267</u>	<u>\$ 605,325</u>	<u>\$ 37,632</u>	<u>\$ 1,197,224</u>

See accompanying notes to the basic financial statements.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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 more significant accounting and reporting policies and practices of the City.

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

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

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

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

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

For the year ended September 30, 2011, the City has implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In the Fund financial statements, fund balance consist of 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. Restricted fund balance are amounts restricted to specific purposes. Committed fund balance are amounts that can only be used for specific purposes as pursuant to official action by the Board prior to the end of the reporting period. Assigned fund balance are amounts the City intends to use for a specific purpose but is neither restricted nor committed. The Board has the authority to assign fund balances. 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. Included in this fund are expenditures for park improvements.

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

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

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.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Basis of Accounting:

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

Government-wide Financial Statements

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

Governmental Fund Financial Statements

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

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.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

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

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

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Capital assets are defined by the City as assets with an initial, individual cost of \$1,000 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 Assets and is provided on the straight-line basis over the following estimated useful lives:

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

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

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 hours. Sick leave benefits must be used by employees during their term of employment and are not paid to employees upon termination. Therefore, no liability for accumulated sick time is displayed on the City's basic financial statements.

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

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

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

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

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

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

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

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

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

NOTE B - CASH AND INVESTMENTS

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

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE B - CASH AND INVESTMENTS (continued)

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, 2011, the carrying amount of the City's deposits was \$3,215,460 and the bank balance was \$3,380,918. Of the bank balance, \$250,000 was covered by federal depository insurance and \$3,130,918 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, 2011.

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 district and revenue bonds of certain Missouri agencies.

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

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

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

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE C - RESTRICTED ASSETS

Cash and cash equivalents are restricted for the following purposes:

Proprietary Funds	
Water fund:	
Customer deposits	\$ 183,528
2001 Water replacement account	72,229
Series 2001 Water Bonds:	
Principal retirement	131,250
Interest retirement	17,013
	404,020
Wastewater fund:	
Series 1992 Sewer Bonds:	
Principal account	86,250
Interest account	3,197
Debt service account	3,326
	92,773
Total Proprietary funds	\$ 496,793

NOTE D - UTILITIES RECEIVABLES

Utilities receivable represent user-based charges for services provided to the City's customers. Net receivables at September 30, 2011 were as follows:

	Total Receivables	Allowance	Net Receivables
Business-type activities:			
Major enterprise funds:			
Water	\$ 211,581	\$ 2,800	\$ 208,781
Wastewater	198,698	3,487	195,211
Solid waste	39,205	600	38,605
Total	\$ 449,484	\$ 6,887	\$ 442,597

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, 2010, on which the fiscal year ended September 30, 2011 levy was based, was \$56,600,176.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE E - TAXES RECEIVABLE (continued)

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

<u>Fund</u>	<u>Levy</u>
General	\$ 0.6144
Park	0.1535
Debt Service	<u>0.5273</u>
Total	<u>\$ 1.2952</u>

Taxes receivable represent the collectible ad valorem taxes, local sales taxes and franchise taxes. Adjustments have been made during the year to remove any uncollectible accounts. Management believes that the remaining receivables will be collected in the next fiscal year. Balances at September 30, 2011 were as follows:

	<u>General Fund</u>	<u>Park Fund</u>	<u>1/2 Cent Sales Tax Fund</u>	<u>Debt Service Fund</u>	<u>Municipal Complex Fund</u>	<u>Total</u>
Property tax	\$ 20,308	\$ 5,073	\$ -	\$ 16,798	\$ -	\$ 42,179
Sales tax	136,502	32,564	65,129	-	32,564	266,759
Franchise taxes	58,953	-	-	-	-	58,953
	<u>\$215,763</u>	<u>\$ 37,637</u>	<u>\$ 65,129</u>	<u>\$ 16,798</u>	<u>\$ 32,564</u>	<u>\$367,891</u>

NOTE F - INSURANCE

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

NOTE G - COMMITMENTS AND CONTINGENCIES

Federal and State Grants

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

Purchase Commitment

On July 12, 2011, the City entered into an agreement with the United Presbyterian Church of Richmond, Missouri to purchase real estate for \$40,000 to be used as a public park. As of September 30, 2011, the purchase contract was still pending.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE H - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended September 30, 2011.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassification</u>	<u>Ending Balance</u>
Governmental activities:				
Nondepreciable assets:				
Land and land rights	\$ 345,250	\$ -	\$ -	\$ 345,250
Construction in progress	76,254	486,850	554,916	8,188
Total capital assets, not being depreciated	<u>421,504</u>	<u>486,850</u>	<u>554,916</u>	<u>353,438</u>
Depreciable capital assets:				
Buildings and improvements	11,174,089	562,388	-	11,736,477
Vehicles	712,841	3,506	-	716,347
Equipment	2,881,436	19,137	-	2,900,573
Information systems	398,306	-	3,211	395,095
Office furniture and fixtures	114,487	-	-	114,487
Total capital assets being depreciated	<u>15,281,159</u>	<u>585,031</u>	<u>3,211</u>	<u>15,862,979</u>
Less accumulated depreciation:				
Buildings and improvements	957,955	308,907	-	1,266,862
Vehicles	658,965	35,860	-	694,825
Equipment	2,384,557	94,736	-	2,479,293
Information systems	323,184	35,784	3,211	355,757
Office furniture and fixtures	76,567	14,310	-	90,877
Total accumulated depreciation	<u>4,401,228</u>	<u>489,597</u>	<u>3,211</u>	<u>4,887,614</u>
Total capital assets being depreciated, net	<u>10,879,931</u>	<u>95,434</u>	<u>-</u>	<u>10,975,365</u>
Governmental activities capital assets, net	<u>\$ 11,301,435</u>	<u>\$ 582,284</u>	<u>\$ 554,916</u>	<u>\$ 11,328,803</u>

Depreciation expense was charged to the governmental activities as follows:

Administration	\$ 260,208
Public safety	107,955
Public works	25,180
Community development	471
Cemetery, parks and recreation	95,783
	<u>\$ 489,597</u>

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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	\$ 105,266	\$ 79,220	\$ -	\$ 184,486
Construction in progress	<u>50,000</u>	<u>130,752</u>	<u>82,241</u>	<u>98,511</u>
Total capital assets, not being depreciated	<u>155,266</u>	<u>209,972</u>	<u>82,241</u>	<u>282,997</u>
Capital assets, being depreciated:				
Buildings and improvements	38,768	-	-	38,768
Vehicles	505,278	-	10,656	494,622
Equipment	325,135	-	-	325,135
Information systems	33,407	-	-	33,407
Treatment facility	4,818,048	111,430	-	4,929,478
Production and transmission system	<u>11,275,134</u>	<u>-</u>	<u>26,000</u>	<u>11,249,134</u>
Total capital assets being depreciated	<u>16,995,770</u>	<u>111,430</u>	<u>36,656</u>	<u>17,070,544</u>
Less accumulated depreciation:				
Buildings and improvements	32,477	239	-	32,716
Vehicles	457,711	37,008	10,656	484,063
Equipment	234,135	21,610	-	255,745
Information systems	32,417	293	-	32,710
Treatment facility	2,792,678	133,158	-	2,925,836
Production and transmission system	<u>2,542,270</u>	<u>276,429</u>	<u>14,300</u>	<u>2,804,399</u>
Total accumulated depreciation	<u>6,091,688</u>	<u>468,737</u>	<u>24,956</u>	<u>6,535,469</u>
Total capital assets being depreciated, net	<u>10,904,082</u>	<u>(357,307)</u>	<u>11,700</u>	<u>10,535,075</u>
Business-type activities capital assets, net	<u>\$ 11,059,348</u>	<u>\$ (147,335)</u>	<u>\$ 93,941</u>	<u>\$ 10,818,072</u>

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

Water	\$ 200,570
Wasterwater	267,560
Solid waste	<u>607</u>
	<u>\$ 468,737</u>

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE I - RETIREMENT PLAN

A. Plan Description

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

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

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

B. Funding Status

Full-time employees of the City of Richmond do not contribute to the pension plan. The June 30th statutorily required contribution rates are 9.3% (General), 12.9% (Police) and 10.4% (Fire) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

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

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

Annual required contribution	\$ 158,352
Interest on net pension obligation	-
Adjustment to annual required pension	-
Annual pension cost	158,352
Actual contributions	156,768
Increase (decrease) in NPO	1,584
NPO beginning of year	-
NPO end of year	\$ 1,584

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE I - RETIREMENT PLAN (continued)

The annual required contribution (ARC) was determined as part of the February 29, 2008 and February 28, 2009 annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2011 included: (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy table set back 0 years for men and 0 years for women and (e) post retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The amortization period as of February 29, 2008 was 22 years for the General division, 22 years for the Police division and 22 years for the Fire division. The amortization period as of February 28, 2009 was 30 years for the General division, 22 years for the Police division and 30 years for the Fire division.

Three-Year Trend Information			
Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 186,258	100%	\$ -
2010	172,562	100%	-
2011	158,352	99%	1,584

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE J - LONG-TERM DEBT

Changes in long-term debt during the year ended September 30, 2011 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amount due within one year</u>
Governmental Activities:					
General obligation bonds	\$ 2,570,000	\$ 2,355,000	\$ 2,440,000	\$ 2,485,000	\$ 145,000
Notes payable	39,166	-	27,314	11,852	4,096
Lease purchases	4,645,401	-	130,221	4,515,180	138,994
Compensated absences	<u>71,415</u>	<u>4,039</u>	<u>-</u>	<u>75,454</u>	<u>75,545</u>
Total Governmental Activities	<u>\$ 7,325,982</u>	<u>\$ 2,359,039</u>	<u>\$ 2,597,535</u>	<u>\$ 7,087,486</u>	<u>\$ 363,635</u>
Business-Type Activities:					
Waterworks & Sewerage Bonds	\$ 2,940,000	\$ -	\$ 300,000	\$ 2,640,000	\$ 315,000
Notes payable	57,549	-	35,537	22,012	7,076
Compensated absences	<u>37,724</u>	<u>-</u>	<u>3,281</u>	<u>34,443</u>	<u>34,443</u>
Total Business-Type Activities	<u>\$ 3,035,273</u>	<u>\$ -</u>	<u>\$ 338,818</u>	<u>\$ 2,696,455</u>	<u>\$ 356,519</u>

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

On July 20, 2011, the City issued \$2,355,000 of Series 2011 General Obligation Refunding Bonds to defease \$2,315,000 of Series 2004B General Obligation Bonds. This refunding was undertaken to obtain an economic gain of \$146,433.

As of September 30, 2011, \$2,315,000 Series 2004B bonds outstanding are considered to be defeased.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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%	\$ 2,355,000
Series 2004 B General Obligation Bonds due in varying annual installments through March 1, 2024, interest of 3.625% to 4.500%.	130,000
	<u>\$ 2,485,000</u>

Notes payable:

Note payable to bank due in varying installments of \$640 through December 5, 2011, interest at 4.50%, secured by two trucks	\$ 1,201
Note payable to finance company due in annual installments of \$3,898 through November 22, 2013, interest at 8.25%, secured by equipment	10,651
	<u>\$ 11,852</u>

Lease purchases:

Lease purchase for municipal complex with bank, due in monthly installments of \$23,144 through July 1, 2015, interest at 4.25%.	\$ 4,411,680
Lease purchase for park improvement with bank, due in monthly installments of \$4,175 through November 1, 2013, interest at 4.25%	103,500
	<u>\$ 4,515,180</u>

Business-type activities long-term debt consists of the following:

Revenue bonds:

Series 1992 A State Environmental Improvement and Energy Resources Authority Water Pollution Control Revenue Bonds due in varying annual installments through January 2013, interest of 6.45% to 6.55%	\$ 240,000
Series 2001 A State Environmental Improvement and Energy Resources Authority Water Pollution Control Revenue Bonds due in varying annual installments through January 2021, interest of 4.00% to 5.00%	2,050,000
Series 2004 A Waterworks & Sewerage Revenue Bonds, due in varying annual installments through June 2023, interest of 3.375% to 5.00%	350,000
	<u>\$ 2,640,000</u>

Notes payable:

Note payable to bank, due in monthly installments of \$640 through December 5, 2011, interest at 4.50%, secured by two trucks	\$ 709
Note payable to finance company, due in annual installments of \$7,913 through November 22, 2013, interest at 8.25%, secured by equipment	21,303
	<u>\$ 22,012</u>

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE J - LONG-TERM DEBT (continued)

Debt service requirements to maturity are:

Year Ending September 30,	Governmental Activities							
	G.O. Bonds		Notes Payable		Lease Purchases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 145,000	\$ 89,550	\$ 4,096	\$ 833	\$ 138,994	\$ 188,837	\$ 288,090	\$ 279,220
2013	165,000	75,606	3,326	571	145,045	182,785	313,371	258,962
2014	170,000	70,582	4,430	297	108,929	177,148	283,359	248,027
2015	175,000	65,407	-	-	4,122,212	144,265	4,297,212	209,672
2016	185,000	60,007	-	-	-	-	185,000	60,007
2017	190,000	54,381	-	-	-	-	190,000	54,381
2018	205,000	48,456	-	-	-	-	205,000	48,456
2019	210,000	41,181	-	-	-	-	210,000	41,181
2020	220,000	32,581	-	-	-	-	220,000	32,581
2021	235,000	24,304	-	-	-	-	235,000	24,304
2022	240,000	16,466	-	-	-	-	240,000	16,466
2023	255,000	7,885	-	-	-	-	255,000	7,885
2024	90,000	1,631	-	-	-	-	90,000	1,631
Total	\$ 2,485,000	\$ 588,037	\$ 11,852	\$ 1,701	\$ 4,515,180	\$ 693,035	\$ 7,012,032	\$ 1,282,773

Year Ending September 30,	Business-Type Activities					
	Revenue Bonds		Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 315,000	\$ 121,690	\$ 7,076	\$ 1,681	\$ 322,076	\$ 123,371
2013	330,000	105,111	6,753	1,160	336,753	106,271
2014	210,000	91,855	8,183	603	218,183	92,458
2015	220,000	82,110	-	-	220,000	82,110
2016	225,000	71,740	-	-	225,000	71,740
2017	235,000	61,034	-	-	235,000	61,034
2018	245,000	49,601	-	-	245,000	49,601
2019	255,000	37,375	-	-	255,000	37,375
2020	260,000	24,500	-	-	260,000	24,500
2021	275,000	11,250	-	-	275,000	11,250
2022	35,000	3,500	-	-	35,000	3,500
2023	35,000	1,750	-	-	35,000	1,750
Total	\$ 2,640,000	\$ 661,516	\$ 22,012	\$ 3,444	\$ 2,662,012	\$ 664,960

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE J - LONG-TERM DEBT (continued)

Revolving Loan Fund

In accordance with the agreement between various public entities (including the City of Richmond) and the State Environmental Improvement and Energy Resources Authority (the Authority), the City issued the Series 1992A and 2001A revenue bonds. In connection with the City's issuance of these revenue bonds, the City participates in a revolving loan program established by the Department of Natural Resources (DNR). The revolving fund, which consists of 83.33% federal dollars and 16.67% state dollars, is designed to serve as a guarantee for local municipalities' sewer revenue bond financing. The State of Missouri manages and invests the bond proceeds on behalf of the City. As the City incurs approved capital expenditures, DNR reimburses the City for the expenditure from the bond proceeds account and deposits an additional 50% of the expenditure amount in a Bond Reserve Fund in the City's name and is held as a guarantee against the debt. Interest earned from this reserve fund can be used by the City to fund interest payment on the revenue bonds. For the year ended September 30, 2011, interest earnings from the 1992A and 2001A reserve funds totaled \$42,277. The reserve fund is transferred back to the State as bond issues are retired. The costs of operation and maintenance of the system and debt service is payable from Wastewater and Water Fund operating revenues.

Notes payable

At September 30, 2011 the City had promissory note obligations outstanding, all of which were used to purchase vehicles and equipment for various city departments. For those notes recorded in the governmental fund, the City records the present value of the note obligation as capital outlay expenditure and as an offsetting other financing source in the year that the asset is purchased. At the government-wide level, the present value of payments due in future periods, along with the net carrying value of the related capital assets, are recorded as liabilities and assets, respectively, in the governmental activities column of the Statement of Net Assets. For those notes recorded in proprietary funds, the City records the present value of the future debt payments as a liability and the related capital item as an asset of the fund.

Lease purchases

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

The City has entered into another lease purchase agreement with a bank to finance the capital improvements of the city parks.

The assets acquired through capital leases are as follows:

	Governmental Activities
Buildings and equipment	\$ 3,780,054
Less: Accumulated depreciation	(254,322)
Total	\$ 3,525,732

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE K - FUND BALANCES

The following is a summary of the Governmental Fund balances of the City for the year ended September 30, 2011

<u>Classification/Fund</u>	<u>Purpose</u>		
Nonspendable:			
General Fund	Inventory	\$	67,237
General Fund	Prepaid expenses		17,304
Park	Prepaid expenses		1,076
Cemetery trust fund	Cemetery		96,854
Restricted:			
Park	Capital improvements		358,910
Police training	Police training		38,350
1/2 cent sales tax	Capital improvements		228,086
Debt service	Debt payments		190,767
Committed:			
Park fund	Capital improvements		40,000
Unassigned:			
General Fund			489,333
Municipal complex			(340,948)
Total Fund Balances		<u>\$</u>	<u>1,186,969</u>

NOTE L - SUBSEQUENT EVENT

On November 29, 2011, the City entered into a real estate contract in the amount of \$201,000 to purchase land for the purpose of construction of the southwest water treatment plant.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RICHMOND, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		(NEGATIVE)
REVENUES:				
Sales tax	\$ 930,000	\$ 930,000	\$ 940,324	\$ 10,324
Property tax	362,000	362,000	368,452	6,452
Franchise tax	728,500	728,500	773,209	44,709
Licenses and permits	37,500	37,500	39,574	2,074
Other local taxes	283,000	283,000	297,729	14,729
Fines, tickets and fees	133,600	133,600	122,350	(11,250)
Charges for services	151,783	151,783	156,446	4,663
Grants	7,000	40,890	46,680	5,790
Interest revenue	3,200	3,200	11,504	8,304
Miscellaneous	23,508	23,508	49,241	25,733
Total Revenues	<u>2,660,091</u>	<u>2,693,981</u>	<u>2,805,509</u>	<u>111,528</u>
EXPENDITURES:				
Administration	385,623	392,528	334,619	57,909
Public safety	1,379,450	1,427,335	1,326,869	100,466
Public works	274,800	273,200	247,060	26,140
Community development	115,060	123,155	118,869	4,286
Cemetery, parks and recreation	267,458	267,458	240,538	26,920
Capital outlay	12,000	6,700	5,272	1,428
Debt service:				
Principal	28,093	29,021	27,314	1,707
Interest and fees	3,091	2,168	3,304	(1,136)
Total Expenditures	<u>2,465,575</u>	<u>2,521,565</u>	<u>2,303,845</u>	<u>217,720</u>
Other financing sources (uses):				
Transfers	(65,000)	(65,000)	(57,006)	7,994
Net change in fund balance	<u>\$ 129,516</u>	<u>\$ 107,416</u>	444,658	<u>\$ 337,242</u>
Fund balance, beginning of year - budgetary basis			<u>73,301</u>	
Fund balance, end of year - budgetary basis			517,959	
GAAP adjustments:				
Receivables:				
Taxes			195,455	
Grants			245	
Accounts payable			(61,046)	
Accrued payroll and benefits			<u>(78,739)</u>	
Fund balances, end of year - GAAP basis			<u>\$ 573,874</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, 2011**

	BUDGET		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Sales tax	\$ 210,000	\$ 210,000	\$ 225,225	\$ 15,225
Property tax	85,500	85,500	88,208	2,708
Charges for services	1,500	1,500	2,466	966
Interest revenue	350	350	511	161
Miscellaneous	-	-	324	324
Total Revenues	<u>297,350</u>	<u>297,350</u>	<u>316,734</u>	<u>19,384</u>
EXPENDITURES:				
Cemetery, parks and recreation	88,150	96,120	110,953	(14,833)
Capital outlay	153,900	145,920	38,104	107,816
Debt service:				
Principal	44,680	44,600	44,595	5
Interest and fees	<u>5,420</u>	<u>5,510</u>	<u>5,505</u>	<u>5</u>
Total Expenditures	<u>292,150</u>	<u>292,150</u>	<u>199,157</u>	<u>92,993</u>
Net change in fund balance	<u>\$ 5,200</u>	<u>\$ 5,200</u>	117,577	<u>\$ 112,377</u>
Fund balance, beginning of year - budgetary basis			<u>253,998</u>	
Fund balance, end of year - budgetary basis			371,575	
GAAP adjustments:				
Receivables:				
Taxes			32,564	
Accounts payable			(1,708)	
Accrued payroll and benefits			<u>(2,445)</u>	
Fund balances, end of year - GAAP basis			<u>\$ 399,986</u>	

See accompanying notes to the required supplementary information.

CITY OF RICHMOND, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - 1/2 CENT SALES TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>BUDGET</u>		<u>ACTUAL</u>	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(NEGATIVE)</u>
REVENUES:				
Sales tax	\$ 433,000	\$ 433,000	\$ 441,549	\$ 8,549
Grant revenue	-	-	21,005	21,005
Interest revenue	<u>150</u>	<u>150</u>	<u>441</u>	<u>291</u>
Total Revenues	<u>433,150</u>	<u>433,150</u>	<u>462,995</u>	<u>29,845</u>
EXPENDITURES:				
Public works	-	-	26,409	(26,409)
Capital outlay	<u>600,000</u>	<u>611,560</u>	<u>243,225</u>	<u>368,335</u>
Total Expenditures	<u>600,000</u>	<u>611,560</u>	<u>269,634</u>	<u>341,926</u>
Net change in fund balance	<u>\$ (166,850)</u>	<u>\$ (178,410)</u>	193,361	<u>\$ 371,771</u>
Fund balance, beginning of year - budgetary basis			<u>291,540</u>	
Fund balance, end of year - budgetary basis			484,901	
GAAP adjustments:				
Receivables:				
Taxes			65,129	
Accounts payable			(315,404)	
Accrued payroll and benefits			<u>(6,540)</u>	
Fund balances, end of year - GAAP basis			<u>\$ 228,086</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, 2011

	<u>BUDGET</u>		<u>ACTUAL</u>	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(NEGATIVE)</u>
REVENUES:				
Sales tax	\$ 217,224	\$ 217,224	\$ 220,725	\$ 3,501
EXPENDITURES:				
Debt service:				
Principal	89,000	85,626	85,626	-
Interest and fees	<u>188,731</u>	<u>192,105</u>	<u>192,105</u>	<u>-</u>
Total Expenditures	<u>277,731</u>	<u>277,731</u>	<u>277,731</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(60,507)	(60,507)	(57,006)	3,501
Other financing sources:				
Transfers	<u>65,000</u>	<u>65,000</u>	<u>57,006</u>	<u>(7,994)</u>
Net change in fund balance	<u>\$ 4,493</u>	<u>\$ 4,493</u>	-	<u>\$ (4,493)</u>
Fund balance, beginning of year - budgetary basis			<u>(373,512)</u>	
Fund balance, end of year - budgetary basis			(373,512)	
GAAP adjustments:				
Receivables:				
Taxes			<u>32,564</u>	
Fund balances, end of year - GAAP basis			<u>\$ (340,948)</u>	

See accompanying notes to the required supplementary information.

CITY OF RICHMOND, MISSOURI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2011

Budgetary Process

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

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

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

**CITY OF RICHMOND, MISSOURI
SCHEDULE OF FUNDING PROGRESS - RETIREMENT PLAN
SEPTEMBER 30, 2011**

Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2009	\$ 1,672,388	\$ 2,250,553	\$ 578,165	74%	\$ 1,918,845	30%
2/29/2010	1,699,168	2,258,867	559,699	75%	1,842,203	30%
2/28/2011	1,878,726	2,361,536	482,810	80%	1,577,322	31%

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

SUPPLEMENTARY INFORMATION

**CITY OF RICHMOND, MISSOURI
 COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2011**

	<u>SPECIAL REVENUE FUND</u>	<u>PERMANENT FUND</u>	<u>TOTAL OTHER GOVERNMENTAL FUNDS</u>
	<u>POLICE TRAINING</u>	<u>CEMETERY TRUST</u>	
ASSETS			
Cash and cash equivalents	\$ <u>38,350</u>	\$ <u>96,854</u>	\$ <u>135,204</u>
LIABILITIES AND FUND BALANCES			
Liabilities	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Fund balances:			
Nonspendable	-	96,854	96,854
Restricted	<u>38,350</u>	<u>-</u>	<u>38,350</u>
Total Fund Balances	<u>38,350</u>	<u>96,854</u>	<u>135,204</u>
Total Liabilities and Fund Balances	<u>\$ 38,350</u>	<u>\$ 96,854</u>	<u>\$ 135,204</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, 2011

	SPECIAL REVENUE FUND	PERMANENT FUND	TOTAL OTHER GOVERNMENTAL FUNDS
	POLICE TRAINING	CEMETERY FUND	
REVENUES:			
Fines, tickets and fees	\$ 5,935	\$ -	\$ 5,935
Charges for services	-	562	562
Interest revenue	56	534	590
Total Revenues	5,991	1,096	7,087
EXPENDITURES:			
Public safety	2,823	-	2,823
Cemetery	-	7,648	7,648
Total Expenditures	2,823	7,648	10,471
Excess (deficiency) of revenues over expenditures	3,168	(6,552)	(3,384)
Fund balance, beginning of year	35,182	103,406	138,588
Fund balance, end of year	\$ 38,350	\$ 96,854	\$ 135,204

INTERNAL CONTROL AND COMPLIANCE

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

To the City Council
City of Richmond, Missouri

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Richmond as of and for the year ended September 30, 2011, which collectively comprise the City's basis financial statements and have issued our report thereon dated February 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 11-1, 11-2, 11-3, 11-4, 11-5, and 11-6 to be material weaknesses.

Compliance and Other Matters

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

We noted certain matters that we reported to administration in a separate letter dated February 13, 2012.

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

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

Westbrook & Co., P.C.

February 13, 2012

**CITY OF RICHMOND, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

11-1 - FINANCIAL ACCOUNTING AND REPORTING

Condition: The City engages the auditor to assist in the preparation of the draft financial statements and the Finance Director is designated to oversee the audit services performed. While the Finance Director is receiving governmental accounting training, she does not yet have sufficient experience in the applicable accounting principles and disclosure requirements used to prepare the draft financial statements. Further, the City does not have procedures to use disclosure checklists when reviewing the draft financial statements.

Criteria: The design and operation of internal control procedures should permit management to prevent, detect, and correct misstatements in the draft financial statements prepared by the auditor.

Cause: The City has not adopted policies and procedures designed to enhance the approval of the audited financial statement drafting process.

Effect: Lack of controls could allow misstatements in the draft financial statements to occur and go undetected.

Recommendation: The City should adopt policies and procedures designed to enhance the approval of the audited financial statement drafting process. Disclosure checklists should be used when reviewing the drafted financial statements.

Auditee's Response: The drafted audited financial statements are reviewed by the City Administrator, Finance Director, and City Clerk. All updates and changes are provided to the auditors before the audited financial statements are finalized. The City will obtain disclosure checklists in the future to assist with the financial statement review process.

11-2 - SEGREGATION OF DUTIES - GENERAL LEDGER

Condition: The Finance Director reconciles the cash accounts, has the ability to make disbursements, maintains the general ledger and performs the reporting function.

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 are not properly segregated.

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

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

**CITY OF RICHMOND, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

Auditee's Response: We are aware of this situation. Due to the fact that the city staff is one person deep in virtually every position, we believe it is necessary to have backups for various requirements. The Finance Director will only cut checks (make disbursements) in the absence of our Accounts Payable Clerk. All checks (disbursements) require two signatures. We understand forgeries could occur, however, any staff member who has full access to our accounting system (Summit) could do this. Again, without additional staff, we believe we need backup capability. While we could assign the backup disbursement ability to other positions, in our situation we believe the Finance Director is the most logical backup. To mitigate this risk, the City Administrator will review the monthly bank statements to ensure all checks clearing the bank are signed by authorized check signers, and will review the bank reconciliations prepared by the Finance Director to ensure the bank statement balance reconciles to the general ledger balance.

11-3 - SEGREGATION OF DUTIES - CASH RECEIPTS

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

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

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

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

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

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

11-4 - SEGREGATION OF DUTIES - CASH DISBURSEMENTS

Condition: The Accounts Payable clerk processes invoices, prepares vendor checks for payment and processes the signed checks.

Criteria: Proper internal control would require these cash disbursement duties to be performed by different individuals.

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

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

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

**CITY OF RICHMOND, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

Auditee's Response: All invoices/request for payments are reviewed for accuracy and proper fund charge by the Finance Director. They are then reviewed and approved by the City Administrator before being forwarded to the Accounts Payable Clerk for processing. The Accounts Payable Clerk inputs the invoices into the accounting system (Summit) and prepares the checks. The checks, along with all supporting documents (i.e. invoices and requests for payments), are given to two check signers. The City Administrator, City Clerk, Mayor, and Court Clerk are the only authorized check signers. Before signing the checks, all supporting documents are reviewed for accuracy and completeness. The Accounts Payable Clerk is not an authorized check signer, therefore, she cannot process a check and then have authority to sign it. The checks and supporting documents are given back to the Accounts Payable Clerk for mailing and filing. As the cycle completes, the Finance Director reconciles bank statements monthly and reviews all check images clearing the bank for proper signatures. Further, the prenumbered check stock is stored in the Finance Director's office, and the check writer must sign out all checks in numerical order. We believe the checks and balances we have in place are sufficient to prevent error or fraud.

11-5 - SEGREGATION OF DUTIES - PAYROLL

Condition: The Payroll clerk sets up new employees in the computer system, inputs payroll information, and processes direct deposit payroll authorizations.

Criteria: Proper internal control would require payroll processing duties to be performed by different individuals.

Cause: Accounting duties for payroll processing are not properly segregated.

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

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

Auditee's Response: All payroll checks are signed by two authorized check signors, with at least one of the signatures being the City Clerk or City Administrator. In addition, we have recently implemented a procedure whereby the City Administrator reviews all ACH payments to individuals receiving direct deposits and signs the direct deposit form for approval before it is sent to the bank. This organization is small enough that we would recognize any unauthorized names. Current procedures require any new hire or change in a pay rate to be authorized by a Department Head and the City Administrator before input into the accounting system (Summit). To alleviate the risk of the Payroll Clerk making unauthorized pay rate changes to her own salary, the Finance Director will review the Payroll Clerk's pay each pay period. Also, the Finance Director currently prepares the Missouri Form 941 monthly, completes the bi-weekly Social Security, Medicare, and Federal Income Tax Withholdings deposit, and reconciles the quarterly Federal 941 report to the payroll totals.

11-6 - UTILITY BILLING

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

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

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

**CITY OF RICHMOND, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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

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

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