

CITY OF RICHMOND, MISSOURI

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

FOR THE YEAR ENDED SEPTEMBER 30, 2015

**CITY OF RICHMOND, MISSOURI
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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Richmond, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Richmond, Missouri, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Richmond, Missouri, as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, sources of changes in the net pension liability and schedule of contributions on pages 3 through 14 and 47 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Westbrook & Co., P.C.

Richmond, Missouri
January 21, 2016



MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of the City of Richmond's (the City) financial report presents a review of the City's financial performance during the fiscal year that ended September 30, 2015. Please read this section in conjunction with the City's financial statements, which follow this section.

Financial Highlights

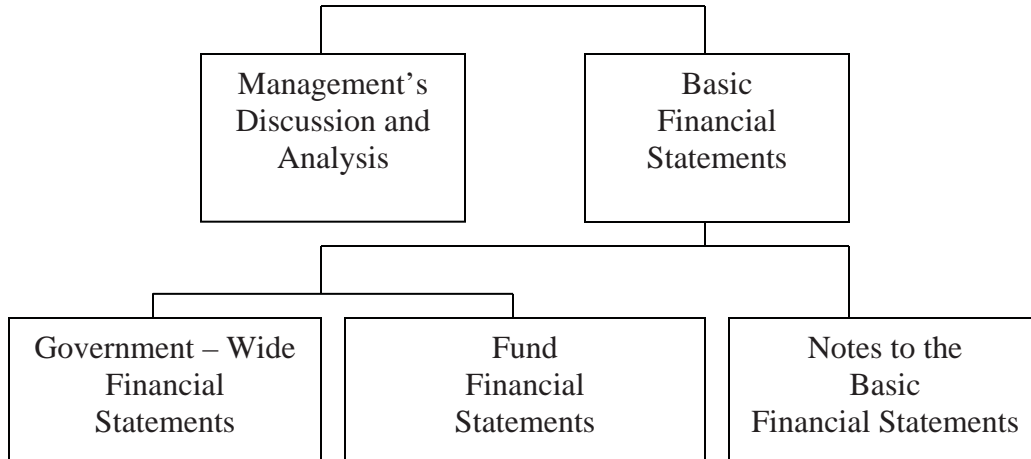
- The assets of the City of Richmond exceeded its liabilities by \$18,808,431. Of this amount, \$14,414,042 represents the City's net investment in capital assets; \$776,250 is restricted for debt service and \$101,444 is restricted for perpetual care. There is \$527,340 of net position unrestricted for governmental activities and \$2,989,355 of net position unrestricted for business-type activities.
- The City's total net position decreased \$1,029,751.
- The City's long-term debt decreased approximately \$790,000 during the current fiscal year.

Overview of the Financial Statements

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

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

Required Components



Summary → Detail

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

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

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

The notes to the basic financial statements provide additional information that further explain and support the information in the basic financial statements.

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

The City has two types of funds:

- Governmental funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the reconciliation following the fund financial statements.

- Proprietary funds - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's water, wastewater and solid waste enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

Government-Wide Financial Analysis

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

Figure 1

	City of Richmond's Net Position					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
Assets:						
Current & other assets	\$ 3,332,642	\$ 2,642,669	\$ 3,569,203	\$ 6,082,701	\$ 6,901,845	\$ 8,725,370
Capital assets, net	<u>10,962,496</u>	<u>11,189,302</u>	<u>18,907,629</u>	<u>20,099,687</u>	<u>29,870,125</u>	<u>31,288,989</u>
Total assets	<u>14,295,138</u>	<u>13,831,971</u>	<u>22,476,832</u>	<u>26,182,388</u>	<u>36,771,970</u>	<u>40,014,359</u>
Deferred outflows of resources	<u>195,875</u>	<u>607,399</u>	<u>77,271</u>	<u>273,558</u>	<u>273,146</u>	<u>880,957</u>
Liabilities:						
Other liabilities	1,075,088	1,173,332	824,419	2,773,704	1,899,507	3,947,036
Long-term liabilities	<u>5,825,744</u>	<u>6,122,384</u>	<u>10,472,576</u>	<u>10,909,643</u>	<u>16,298,320</u>	<u>17,032,027</u>
Total liabilities	<u>6,900,832</u>	<u>7,295,716</u>	<u>11,296,995</u>	<u>13,683,347</u>	<u>18,197,827</u>	<u>20,979,063</u>
Deferred inflows of resources	<u>30,869</u>	<u>30,869</u>	<u>7,989</u>	<u>7,989</u>	<u>38,858</u>	<u>38,858</u>
Net position:						
Net investment in capital assets	6,670,112	6,696,049	7,743,930	9,048,931	14,414,042	15,744,980
Restricted	361,860	365,291	515,834	161,957	877,694	527,248
Unrestricted	<u>527,340</u>	<u>12,232</u>	<u>2,989,355</u>	<u>3,553,722</u>	<u>3,516,695</u>	<u>3,565,954</u>
Total net position	<u>\$ 7,559,312</u>	<u>\$ 7,073,572</u>	<u>\$ 11,249,119</u>	<u>\$ 12,764,610</u>	<u>\$ 18,808,431</u>	<u>\$ 19,838,182</u>

Net position may serve over time as a useful indicator of a government's financial position. As shown in Figure 1, the City's combined net position decreased to \$18,808,431 from \$19,838,182 as a result of the decrease in net position reflected in Figure 2. For the years ended September 30, 2015 and 2014, net position of the City changed as follows:

Figure 2

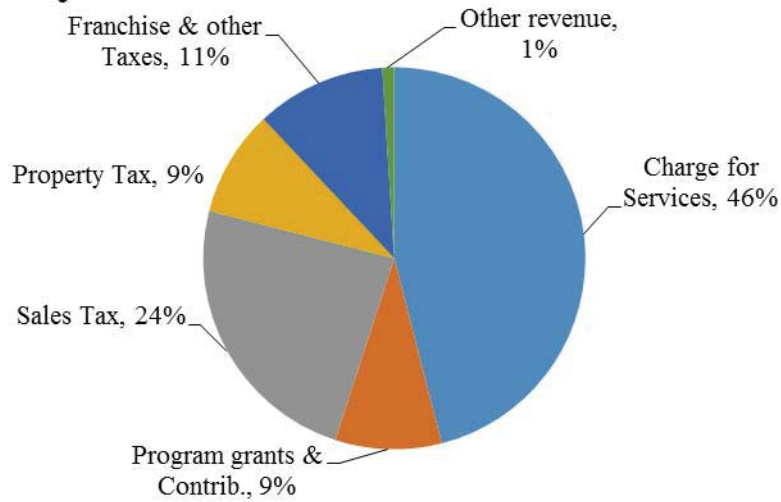
City of Richmond's Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues:						
Charges for services	\$ 429,728	\$ 419,708	\$ 3,326,822	\$ 3,079,466	\$ 3,756,550	\$ 3,499,174
Operating grants and contributions	20,263	12,222	-	-	20,263	12,222
Capital grants	664,695	247,094	418,300	38,408	1,082,995	285,502
General Revenues:						
Property Taxes	736,942	728,772	-	-	736,942	728,772
Sales Tax	1,924,768	1,946,428	-	-	1,924,768	1,946,428
Franchise and other taxes	870,189	885,531	-	-	870,189	885,531
Interest revenue	18,438	21,080	33,985	43,916	52,423	64,996
Other revenue	7,116	115,936	22,911	8,838	30,027	124,774
Total Revenues	4,672,139	4,376,771	3,802,018	3,170,628	8,474,157	7,547,399
Special item - loss on abandonment	-	-	(2,666,961)	-	(2,666,961)	-
Total Revenues and Special item	4,672,139	4,376,771	1,135,057	3,170,628	5,807,196	7,547,399
Expenses						
Administration	1,127,447	523,036	-	-	1,127,447	523,036
Public safety	1,586,344	1,660,251	-	-	1,586,344	1,660,251
Public works	493,546	946,157	-	-	493,546	946,157
Community development	168,629	152,963	-	-	168,629	152,963
Cemetery, parks, & recreation	581,588	584,563	-	-	581,588	584,563
Interest long-term debt	228,845	240,848	-	-	228,845	240,848
Water	-	-	1,211,907	1,151,846	1,211,907	1,151,846
Wastewater	-	-	1,178,294	1,232,354	1,178,294	1,232,354
Solid Waste	-	-	260,347	255,020	260,347	255,020
Total Expenses	4,186,399	4,107,818	2,650,548	2,639,220	6,836,947	6,747,038
Change in net position	485,740	268,953	(1,515,491)	531,408	(1,029,751)	800,361
Beginning net position, restated	<u>7,073,572</u>	<u>6,267,302</u>	<u>12,764,610</u>	<u>11,967,633</u>	<u>19,838,182</u>	<u>18,234,935</u>
Ending net position	<u>\$ 7,559,312</u>	<u>\$ 6,536,255</u>	<u>\$ 11,249,119</u>	<u>\$ 12,499,041</u>	<u>\$ 18,808,431</u>	<u>\$ 19,035,296</u>

For the fiscal year ended September 30, 2015, government-wide revenues totaled \$8,474,157. Approximately 46% of all revenues are from charges for services, and 24% is from sales tax. See Figure 3.

Figure 3

City of Richmond - Sources of Revenue

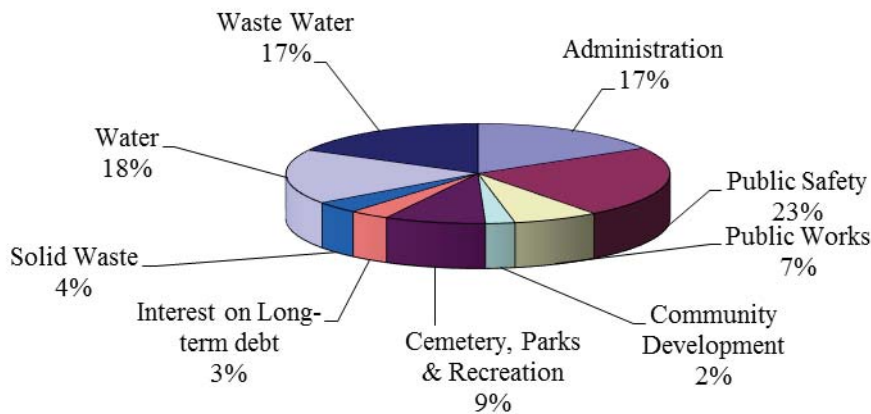


Charges for services are derived from users of the City’s programs such as governmental programs and from fees from the users of the City’s solid waste, water and wastewater operations.

The next largest revenue source for the entire City is sales tax. During the 2015 fiscal year sales tax revenues were \$1,924,768. The City of Richmond has a 1% sales tax to fund general governmental activities, a .5% sales tax for transportation improvements, a .25% sales tax to finance the municipal complex, and a .25% sales tax for parks. Sales tax revenue has decreased approximately 1% from last fiscal year.

Figure 4

City of Richmond - Functional Expenses



The City's expenses cover a range of services. As shown in Figure 4, approximately 39% of all City expenses during the 2015 fiscal year were related to the three business-type activities, solid waste, water, and wastewater. The second largest expenditure in 2015 was public safety at 23%. Public safety is comprised of the police department, the fire department, animal control and dispatch.

Governmental Activities

Governmental activities increased the City's net position by \$485,740. For the fiscal year ended September 30, 2015, revenues totaled \$8,474,157 (governmental and business-type). Revenues from governmental activities were \$4,672,139 or 55% of the total city revenue.

Certain revenues are generated that are specific to governmental program activities. These totaled \$1,114,686. Figure 5 shows expenses and program revenues of the governmental activities for the years ended September 30, 2015 and 2014:

Figure 5

	Net Cost of City of Richmond's Governmental Activities					
	2015			2014		
	<u>Cost of Services</u>	<u>Program Revenue</u>	<u>Net Cost of Services</u>	<u>Cost of Services</u>	<u>Program Revenue</u>	<u>Net Cost of Services</u>
Administration	\$ 1,127,447	\$ 692,042	\$ 435,405	\$ 523,036	\$ 245,134	\$ 277,902
Public Safety	1,586,344	230,842	1,355,502	1,660,251	219,752	1,440,499
Public Works	493,546	-	493,546	946,157	-	946,157
Community Development	168,629	33,350	135,279	152,963	32,548	120,415
Cemetery, Parks & Recreation	581,588	158,452	423,136	584,563	181,590	402,973
Interest on long-term debt	<u>228,845</u>	<u>-</u>	<u>228,845</u>	<u>240,848</u>	<u>-</u>	<u>240,848</u>
Total	<u>\$ 4,186,399</u>	<u>\$ 1,114,686</u>	<u>\$ 3,071,713</u>	<u>\$ 4,107,818</u>	<u>\$ 679,024</u>	<u>\$ 3,428,794</u>

As noted in Figure 5, expenses from governmental activities totaled \$4,186,399. However, the net cost of these services was \$3,071,713. The difference represents direct revenues from charges for services of \$429,728, grants and contributions of \$20,263 and capital grants of \$664,695. Taxes and other revenues were collected to cover these net costs.

Business-Type Activities

Business-type activities decreased the City's net position by \$1,515,491. Included in this decrease is a loss on abandonment of obsolete capital assets due to the replacement of these assets during the renovations at the south wastewater treatment plant of \$2,666,961. Key elements of the change in net position are as follows:

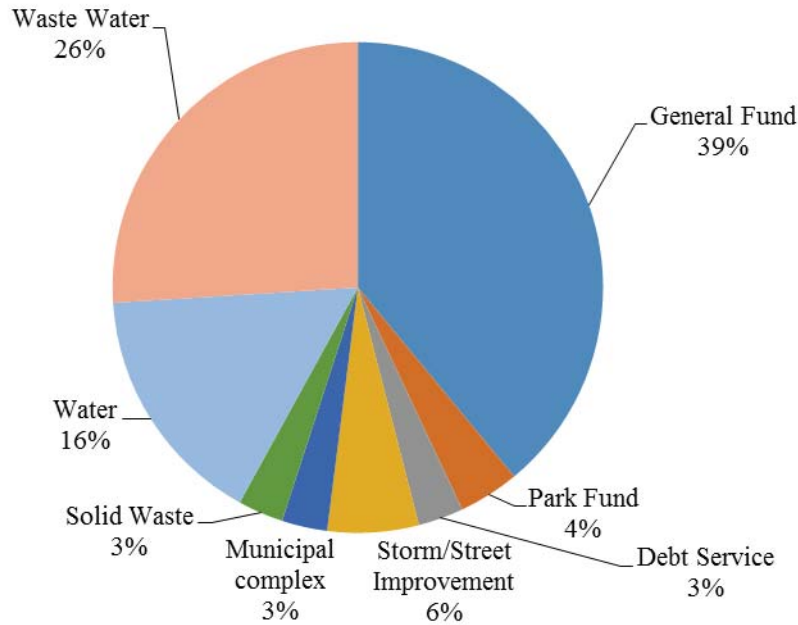
- Solid waste operating revenue decreased \$405 from the prior year, and operating expenses increased \$5,327. Last year the solid waste fund net position increased \$27,593. This year the solid waste fund net position increased an additional \$21,938. The Solid Waste operating revenue remained fairly consistent with prior year, and operating expenses increase primarily due to the lease payment for a wheel loader (shared by multiple funds).
- Water operating revenue increased \$21,260 from the prior year, and operating expenses increased \$69,992. Last year the Water Fund net position increased \$148,622. This year the Water Fund net position increased an additional \$119,379. The increase in Water operating revenue was due primarily to an increase in water usage. The increase in Water operating expenses was due primarily to expenses to replace a severely deteriorated line serving a rural customer, which allowed the City to transfer that customer to Rural Water.
- Wastewater operating revenue increased \$226,501 from the prior year, and operating expenses decreased \$6,284. Last year the Wastewater Fund net position increased \$355,193. This year the Wastewater Fund net position decreased \$1,656,808. The increase in the Wastewater operating revenue was due to a base rate increase in November 2014 and an increase in total gallons billed. The base rate increase was the final one of a total of three over the past few years. The rate increase is used to pay the debt service related to the Wastewater project that completed this year. The decrease in Wastewater net position in FY15 was due to a loss on abandonment of obsolete capital assets due to the replacement of these assets during the renovations at the south wastewater treatment plant.

Financial Analysis of the City's Funds

The City of Richmond's governmental funds reported combined ending fund balances of \$2,165,501, an increase of \$277,814 over the prior year. This increase to the total fund balance is a result of sound financial management and holding expenses to a minimum during the 2015 fiscal year. The fund balance of the General Fund by itself decreased \$304,042 in fiscal year 2015. Last year the General Fund increased \$113,774. This decrease is due to the transfer from the General Fund to the Municipal Complex Fund to eliminate the Municipal Complex Fund deficit balance that existed since 2006.

Figure 6

City of Richmond - Revenue by Fund



Budgetary Highlights

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

- ❖ Total original revenue budget for the General Fund of \$2,801,785 increased to \$3,393,135. The increase was due to the following:
 - ❖ \$591,350 Early Childhood CDBG Grant revenue
- ❖ Total original expense budget for the General Fund of \$3,015,724 increased to \$3,625,724. The increase was due to the following:
 - ❖ \$19,350 Safe Routes to School Grant expenses
 - ❖ \$572,000 Early Childhood CDBG Grant expenses
 - ❖ \$18,650 for track hoe repair

The actual amounts for the General Fund on the budgetary basis was \$3,219,469 in revenue versus \$3,458,431 in expenses and transfers. The net change to the General Fund balance at the end of the year on the budgetary basis is a decrease of \$238,962.

Capital Assets and Debt Administration

The fiscal year 2015 capital asset activity for governmental activities included the following expenditures:

- Complete work on the Safe Routes to School South Street Sidewalk project
- 5/7 of the GIS aerial photo for Administration, Police, Fire, Streets, and Community Development
- Surveillance system for City Hall front entryway and the City Gym
- 2015 Ford Taurus Police Interceptor for the Police Department
- 7 tier letter size rotary file for the Police Department
- Breathing air compressor for the Fire Department
- 1/3 of the 10'x10' garage door at the North Barn for the Streets Department
- Door at north end of City Gym
- Two 3'x8' scoreboards for the City Gym
- Card access system for the City Gym
- AquaClimb poolside climbing wall for Southview Pool
- Property on Crispin Street for Hamann Park
- 8'x18' concrete restroom at Maurice Roberts Park
- 4'x48' concrete sidewalk at Maurice Roberts Park
- Resurface north and south tennis courts at Maurice Roberts Park
- 2014 John Deere 3032E compact utility tractor and implements for the Parks Fund

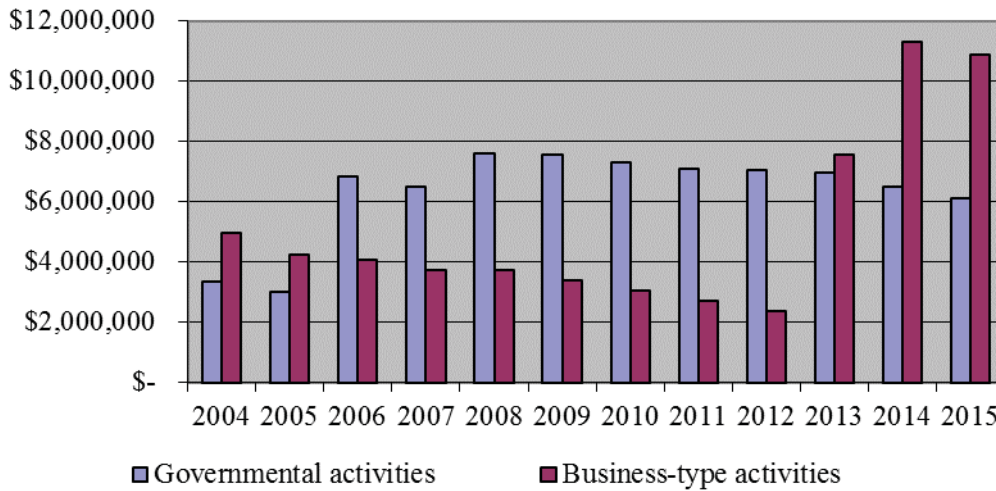
The year's major capital asset activity for business-type activities included the following expenditures:

- Lenox electric air handler and heater for the chemical building for the Water Plant
- 2/3 of the 10'x10' garage door at the North Barn for Water Distribution and Wastewater
- 2007 Vac-Con V350LHA jet/vac truck for Water Distribution and Wastewater
- 2/7 of the GIS aerial photo for Water Distribution and Wastewater
- 2015 Ford F550 super cab with utility bed for Water Distribution
- 3 inch 4.8 HP water pump for Water Distribution
- Begin GIS mapping the water distribution system
- 2015 John Deere 6140D cab tractor and loader for Wastewater
- Meyer V-Force Super Spreader 7500 for Wastewater
- Complete GIS mapping the wastewater collection system
- Complete work on upgrading and modernizing the South Wastewater Treatment Plant and a new force main
- Continuing engineering for rerouting the 10-13 lift station force main

In fiscal year 2015, long-term debt for the governmental activities decreased \$375,870. Long-term debt for the business-type activities decreased \$424,119. In total, long-term debt outstanding and other liabilities for governmental and business-type activities decreased by \$799,989.

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 had significant deterioration and the City upgraded and modernized this Wastewater Treatment Plant (construction began in August 2013 and completed in spring 2015). The City used the \$9,800,000 voter approved bond capacity, of which \$968,000 was funded by a USDA approved loan and the remainder sold on the commercial bond market. The City issued \$5,500,000 of the commercial bonds in August 2013 and \$3,330,000 of the commercial bonds in May 2014. Additional funds were used to pay for the Wastewater Treatment Plant upgrades, including an estimated \$696,000 of reserves of the wastewater fund, a \$500,000 CDBG Grant, and a \$416,100 Rural Development Grant. The North Wastewater Treatment Plant is closed and a new lift station was built at that site. A force main was built to pump waste collected at the North Wastewater Treatment Plant location to the South Wastewater Treatment Plant for processing. Additionally, as part of the new wastewater plant construction, we have converted final waste disposal from liquid to solid. With the purchase of a tractor and waste spreader, also a cash purchase, we have reduced time and costs to dispose of the waste from the plant by about 90%. A final improvement in treatment of wastewater was the addition of ultraviolet disinfection to treat the final water discharge.

The City paid off the 2004A Bonds that had a \$275,000 outstanding principal balance. The maturity date for these bonds was 2023 (9 years remaining), with \$38,500 per year for debt service payments. This early payoff saved the City approximately \$65,000 in interest over the remaining 9 years and there was no fee to pay off the bonds early.

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

In fiscal year 2015, we spent approximately \$41,000 on pigging the raw water line and expect another \$27,000 in fiscal year 2016. A significant increase in water flow has been noted. The average well hours per day have decreased and the average gallons of raw water pumped to the water plant have increased.

The water distribution system was enhanced by transferring an outside-city-limits customer to the rural water supplier. This customer was supplied by an antiquated leak-prone line that annually cost the City thousands of dollars in repairs and water loss. Installation of the new line cost approximately \$36,000, but a major problem has been resolved.

The City has a series of nine sewage lift stations throughout the city. We have begun a program to rebuild several of the ones which have lost capacity and efficiency. One was rebuilt in 2013, one in 2015, and the program will continue for the next several years.

The City expects to spend \$25,000 to rehab one water well, \$60,000 for sludge removal at the water plant lagoons, \$65,000 on water meter replacement, \$100,000 on waterline replacement, and \$100,000 on wastewater line and manhole rehab in the upcoming year.

The citizens approved a 5-year extension of the ½ cent Transportation Sales Tax in November 2011. This tax is used for transportation purposes including street improvements and related storm water improvements.

A severe drainage project on South Street was completed by City crews, correcting a problem of several years. City crews completed this work for \$28,000, saving about \$50,000 over engineering/contractor estimates

Contacting the City's Financial Management

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

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

**CITY OF RICHMOND, MISSOURI
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 1,921,077	\$ 1,889,363	\$ 3,810,440
Receivables, net:			
Taxes	388,783	-	388,783
Accounts	-	535,481	535,481
Grants	285,801	-	285,801
Other	13,497	-	13,497
Accrued interest	-	5,668	5,668
Prepaid expenses	22,476	6,658	29,134
Restricted cash and cash equivalents	-	912,928	912,928
Inventory	66,589	-	66,589
Net pension asset	483,776	219,105	702,881
Capital assets, net	10,962,496	18,907,629	29,870,125
Total Assets	14,144,495	22,476,832	36,621,327
DEFERRED OUTFLOWS OF RESOURCES			
Contribution to pension plan in current fiscal year	195,875	77,271	273,146
LIABILITIES			
Accounts payable	353,840	62,056	415,896
Accrued payroll and benefits	125,786	39,879	165,665
Accrued interest	43,970	74,954	118,924
Customer deposits	1,950	222,860	224,810
Noncurrent liabilities:			
Due within one year	398,899	424,670	823,569
Due in more than one year	5,825,744	10,472,576	16,298,320
Total Liabilities	6,750,189	11,296,995	18,047,184
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	30,869	7,989	38,858
NET POSITION			
Net investment in capital assets	6,670,112	7,743,930	14,414,042
Restricted for:			
Perpetual care	101,444	-	101,444
Debt service	260,416	515,834	776,250
Unrestricted	527,340	2,989,355	3,516,695
Total Net Position	\$ 7,559,312	\$ 11,249,119	\$ 18,808,431

See accompanying notes to the basic financial statements.

CITY OF RICHMOND, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Primary Government:							
Governmental activities:							
Administration	\$ 1,124,227	\$ 24,993	\$ 4,429	\$ 662,620	\$ (432,185)	\$ -	\$ (432,185)
Public safety	1,586,344	215,008	15,834	-	(1,355,502)	-	(1,355,502)
Public works	493,546	-	-	-	(493,546)	-	(493,546)
Community development	168,629	33,350	-	-	(135,279)	-	(135,279)
Cemetery, parks and recreation	581,588	156,377	-	2,075	(423,136)	-	(423,136)
Interest on long-term debt	228,845	-	-	-	(228,845)	-	(228,845)
Total governmental activities	4,183,179	429,728	20,263	664,695	(3,068,493)	-	(3,068,493)
Business-type activities:							
Water	1,211,907	1,283,814	-	-	-	71,907	71,907
Wastewater	1,178,294	1,761,063	-	418,300	-	1,001,069	1,001,069
Solid waste	260,347	281,945	-	-	-	21,598	21,598
Total business-type activities	2,650,548	3,326,822	-	418,300	-	1,094,574	1,094,574
Total primary government	\$ 6,833,727	\$ 3,756,550	\$ 20,263	\$ 1,082,995	\$ (3,068,493)	\$ 1,094,574	\$ (1,973,919)
General revenues:							
Property tax					733,722	-	733,722
Sales tax					1,924,768	-	1,924,768
Other local taxes					280,295	-	280,295
Franchise taxes					589,894	-	589,894
Interest revenue					18,438	33,985	52,423
Other revenue					7,116	22,911	30,027
Total General revenue					3,554,233	56,896	3,611,129
Special item - Loss on abandonment of assets					-	(2,666,961)	(2,666,961)
Total General revenues and Special item					3,554,233	(2,610,065)	944,168
Change in net position					485,740	(1,515,491)	(1,029,751)
Net position, beginning of year, restated					7,073,572	12,764,610	19,838,182
Net position, end of year					\$ 7,559,312	\$ 11,249,119	\$ 18,808,431

See accompanying notes to the basic financial statements.

CITY OF RICHMOND, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	GENERAL	PARK	1/2 CENT TRANSPORTATION SALES TAX	DEBT SERVICE	MUNICIPAL COMPLEX	OTHER GOVERNMENTAL FUNDS	TOTALS GOVERNMENTAL FUNDS
ASSETS							
Cash and cash equivalents	\$ 655,626	\$ 205,113	\$ 683,666	\$ 260,416	\$ 5	\$ 116,251	\$ 1,921,077
Receivables, net:							
Taxes	229,839	40,411	68,576	15,669	34,288	-	388,783
Grants	285,801	-	-	-	-	-	285,801
Other	13,497	-	-	-	-	-	13,497
Inventory	66,589	-	-	-	-	-	66,589
Prepaid expenses	21,247	1,229	-	-	-	-	22,476
Total Assets	<u>\$ 1,272,599</u>	<u>\$ 246,753</u>	<u>\$ 752,242</u>	<u>\$ 276,085</u>	<u>\$ 34,293</u>	<u>\$ 116,251</u>	<u>\$ 2,698,223</u>
LIABILITIES							
Accounts payable	\$ 333,517	\$ 3,070	\$ 17,253	\$ -	\$ -	\$ -	\$ 353,840
Accrued liabilities	120,904	4,882	-	-	-	-	125,786
Municipal court bonds	1,950	-	-	-	-	-	1,950
Total Liabilities	<u>456,371</u>	<u>7,952</u>	<u>17,253</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>481,576</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property taxes	24,536	6,124	-	15,669	-	-	46,329
Unavailable revenue - other	4,817	-	-	-	-	-	4,817
Total Deferred Inflows of Resources	<u>29,353</u>	<u>6,124</u>	<u>-</u>	<u>15,669</u>	<u>-</u>	<u>-</u>	<u>51,146</u>
FUND BALANCES							
Nonspendable	87,836	1,229	-	-	-	101,444	190,509
Restricted	25,000	231,448	734,989	260,416	34,293	14,807	1,300,953
Unassigned	674,039	-	-	-	-	-	674,039
Total Fund Balances	<u>786,875</u>	<u>232,677</u>	<u>734,989</u>	<u>260,416</u>	<u>34,293</u>	<u>116,251</u>	<u>2,165,501</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,272,599</u>	<u>\$ 246,753</u>	<u>\$ 752,242</u>	<u>\$ 276,085</u>	<u>\$ 34,293</u>	<u>\$ 116,251</u>	<u>\$ 2,698,223</u>

See accompanying notes to the financial statements.

CITY OF RICHMOND, MISSOURI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

Fund Balances - Total Governmental Funds \$ 2,165,501

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

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

Governmental capital assets	\$ 16,430,920	
Less: accumulated depreciation	<u>(5,468,424)</u>	10,962,496

Net pension asset		483,776
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Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position		195,875
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Certain revenues are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the governmental funds.		51,146
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Repayment of long-term debt principal is an expenditure in the governmental funds
but it reduces long-term liabilities in the Statement of Net Position.

General obligation bonds	(1,830,000)	
Lease purchases	<u>(4,292,384)</u>	(6,122,384)

Liabilities for compensated absences are recognized only when paid in the governmental fund statements but are accrued in the government-wide statements.		(102,259)
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Other assets and liabilities not reported at the fund statement level:

Accrued interest		(43,970)
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Pension related deferrals		<u>(30,869)</u>
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Net Position of Governmental Activities **\$ 7,559,312**

CITY OF RICHMOND, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	GENERAL	PARK	1/2 CENT TRANSPORTATION SALES TAX	DEBT SERVICE	MUNICIPAL COMPLEX	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:							
Sales tax	\$ 989,774	\$ 233,744	\$ 467,506	\$ -	\$ 233,744	\$ -	\$ 1,924,768
Property tax	401,313	93,672	-	236,610	-	-	731,595
Franchise tax	589,894	-	-	-	-	-	589,894
Licenses and permits	47,712	-	-	-	-	-	47,712
Other local taxes	280,295	-	-	-	-	-	280,295
Fines, tickets and fees	156,488	-	-	-	-	4,897	161,385
Charges for services	169,117	2,374	-	-	-	814	172,305
Grants	669,585	-	-	-	-	-	669,585
Interest revenue	15,215	786	1,362	777	-	298	18,438
Other revenue	72,526	-	-	-	-	-	72,526
Total Revenues	<u>3,391,919</u>	<u>330,576</u>	<u>468,868</u>	<u>237,387</u>	<u>233,744</u>	<u>6,009</u>	<u>4,668,503</u>
EXPENDITURES:							
Administration	978,364	-	-	-	-	-	978,364
Public safety	1,522,302	-	-	-	-	3,768	1,526,070
Public works	268,133	-	83,992	-	-	-	352,125
Community development	171,871	-	-	-	-	-	171,871
Cemetery, parks and recreation	284,233	170,617	-	-	-	257	455,107
Capital outlay	103,624	197,901	-	-	-	-	301,525
Debt service:							
Principal	11,105	94,770	-	175,000	95,000	-	375,875
Interest and fees	1,461	2,789	-	66,634	158,868	-	229,752
Total Expenditures	<u>3,341,093</u>	<u>466,077</u>	<u>83,992</u>	<u>241,634</u>	<u>253,868</u>	<u>4,025</u>	<u>4,390,689</u>
Excess (deficiency) of revenues over expenditures	50,826	(135,501)	384,876	(4,247)	(20,124)	1,984	277,814
Other financing sources (uses):							
Transfers	(354,868)	-	-	-	355,523	(655)	-
Net change in fund balances	(304,042)	(135,501)	384,876	(4,247)	335,399	1,329	277,814
Fund balance, beginning of year	1,090,917	368,178	350,113	264,663	(301,106)	114,922	1,887,687
Fund balance, end of year	<u>\$ 786,875</u>	<u>\$ 232,677</u>	<u>\$ 734,989</u>	<u>\$ 260,416</u>	<u>\$ 34,293</u>	<u>\$ 116,251</u>	<u>\$ 2,165,501</u>

See accompanying notes to the basic financial statements.

CITY OF RICHMOND, MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Net Change in Fund Balances - Total Governmental Funds \$ 277,814

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	\$ 301,525	
Depreciation expense	<u>(528,331)</u>	(226,806)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		72,252
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.

Principal payments	375,870	
Accrued interest	<u>912</u>	376,782

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

Change in unavailable revenue - property taxes	2,127	
Change in unavailable revenue - other	<u>(1,711)</u>	416

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

Compensated absences payable		<u>(14,718)</u>
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Change in Net Position of Governmental Activities **\$ 485,740**

**CITY OF RICHMOND, MISSOURI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015**

	<u>WATER</u>	<u>WASTEWATER</u>	<u>SOLID WASTE</u>	<u>TOTALS</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 960,969	\$ 788,695	\$ 139,699	\$ 1,889,363
Receivables, net	214,590	279,416	41,475	535,481
Accrued interest	5,668	-	-	5,668
Prepaid expenses	4,068	2,590	-	6,658
Total current assets	<u>1,185,295</u>	<u>1,070,701</u>	<u>181,174</u>	<u>2,437,170</u>
Noncurrent assets:				
Restricted cash and cash equivalents	558,733	354,195	-	912,928
Net pension asset	113,535	104,176	1,394	219,105
Capital assets, net	3,814,893	15,075,547	17,189	18,907,629
Total noncurrent assets	<u>4,487,161</u>	<u>15,533,918</u>	<u>18,583</u>	<u>20,039,662</u>
Total assets	<u>5,672,456</u>	<u>16,604,619</u>	<u>199,757</u>	<u>22,476,832</u>
DEFERRED OUTFLOWS OF RESOURCES				
Contribution to pension plan in current fiscal year	<u>39,897</u>	<u>36,736</u>	<u>638</u>	<u>77,271</u>
LIABILITIES				
Current liabilities:				
Current portion of long-term debt	200,000	191,805	-	391,805
Accounts payable	21,132	24,182	16,742	62,056
Customer deposits payable	222,860	-	-	222,860
Accrued interest	16,104	58,850	-	74,954
Accrued liabilities:				
Payroll and benefits	23,023	16,047	809	39,879
Compensated absences	12,394	20,471	-	32,865
Total current liabilities	<u>495,513</u>	<u>311,355</u>	<u>17,551</u>	<u>824,419</u>
Noncurrent liabilities:				
Bonds payable	<u>1,115,000</u>	<u>9,357,576</u>	<u>-</u>	<u>10,472,576</u>
Total liabilities	<u>1,610,513</u>	<u>9,668,931</u>	<u>17,551</u>	<u>11,296,995</u>
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	<u>3,934</u>	<u>4,022</u>	<u>33</u>	<u>7,989</u>
NET POSITION				
Net investment in capital assets	2,512,287	5,214,454	17,189	7,743,930
Restricted for debt service	161,639	354,195	-	515,834
Unrestricted	1,423,980	1,399,753	165,622	2,989,355
Total net position	<u>\$ 4,097,906</u>	<u>\$ 6,968,402</u>	<u>\$ 182,811</u>	<u>\$ 11,249,119</u>

See accompanying notes to the basic financial statements.

CITY OF RICHMOND, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>WATER</u>	<u>WASTEWATER</u>	<u>SOLID WASTE</u>	<u>TOTALS</u>
Operating revenues:				
Charges for services	\$ 1,283,814	\$ 1,761,063	\$ 281,945	\$ 3,326,822
Operating expenses:				
Personnel services	397,023	359,879	32,724	789,626
Contractual services	185,071	348,911	215,626	749,608
Materials and supplies	364,764	97,260	10,207	472,231
Depreciation	183,467	295,425	1,693	480,585
Other operating expenses	8,938	6,256	97	15,291
Total operating expenses	<u>1,139,263</u>	<u>1,107,731</u>	<u>260,347</u>	<u>2,507,341</u>
Operating income	<u>144,551</u>	<u>653,332</u>	<u>21,598</u>	<u>819,481</u>
Nonoperating revenues (expenses):				
Interest income	29,307	4,338	340	33,985
Grant revenues	-	418,300	-	418,300
Interest expense and fees	(72,644)	(70,563)	-	(143,207)
Other revenue	18,165	4,746	-	22,911
Loss on abandonment of assets	-	(2,666,961)	-	(2,666,961)
Total nonoperating revenues (expenses)	<u>(25,172)</u>	<u>(2,310,140)</u>	<u>340</u>	<u>(2,334,972)</u>
Net income (loss)	119,379	(1,656,808)	21,938	(1,515,491)
Net position, beginning of year, restated	<u>3,978,527</u>	<u>8,625,210</u>	<u>160,873</u>	<u>12,764,610</u>
Net position, end of year	<u>\$ 4,097,906</u>	<u>\$ 6,968,402</u>	<u>\$ 182,811</u>	<u>\$ 11,249,119</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, 2015

	ENTERPRISE FUNDS			TOTALS
	WATER	WASTEWATER	SOLID WASTE	
Cash flows from operating activities:				
Cash receipts from customers	\$ 1,259,078	\$ 1,724,724	\$ 280,786	\$ 3,264,588
Cash payments to suppliers	(569,846)	(754,526)	(225,881)	(1,550,253)
Cash paid to employees	(409,430)	(378,099)	(32,837)	(820,366)
Net cash provided by operating activities	<u>279,802</u>	<u>592,099</u>	<u>22,068</u>	<u>893,969</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(143,018)	(3,426,076)	-	(3,569,094)
Proceeds from note payable	-	204,500	-	204,500
Grant revenue	-	418,300	-	418,300
Principal paid on revenue bonds	(195,000)	(420,000)	-	(615,000)
Principal paid on notes payable	-	(13,619)	-	(13,619)
Interest and fees paid on debt	(74,935)	(95,616)	-	(170,551)
Net cash used in capital and related financing activities	<u>(412,953)</u>	<u>(3,332,511)</u>	<u>-</u>	<u>(3,745,464)</u>
Cash flows from investing activities:				
Interest received on cash accounts	30,090	4,338	340	34,768
Other receipts	18,165	4,746	-	22,911
Net cash provided by investing activities	<u>48,255</u>	<u>9,084</u>	<u>340</u>	<u>57,679</u>
Net increase (decrease) in cash and cash equivalents	(84,896)	(2,731,328)	22,408	(2,793,816)
Cash and cash equivalents, beginning of year	<u>1,604,598</u>	<u>3,874,218</u>	<u>117,291</u>	<u>5,596,107</u>
Cash and cash equivalents, end of year	<u>\$ 1,519,702</u>	<u>\$ 1,142,890</u>	<u>\$ 139,699</u>	<u>\$ 2,802,291</u>
Cash and cash equivalents	\$ 960,969	\$ 788,695	\$ 139,699	\$ 1,889,363
Restricted cash and cash equivalents	<u>558,733</u>	<u>354,195</u>	<u>-</u>	<u>912,928</u>
Cash and cash equivalents, end of year	<u>\$ 1,519,702</u>	<u>\$ 1,142,890</u>	<u>\$ 139,699</u>	<u>\$ 2,802,291</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 144,551	\$ 653,332	\$ 21,598	\$ 819,481
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	183,467	295,425	1,693	480,585
Pension expense	8,992	8,251	110	17,353
Changes in assets, deferred outflows of resources and liabilities:				
(Increase) decrease in receivables	(24,736)	(36,339)	(1,159)	(62,234)
(Increase) decrease in prepaid expenses	163	74	-	237
(Increase) decrease in deferred outflows of resources for pensions	(20,673)	(19,097)	(401)	(40,171)
Increase (decrease) in accounts payable	(19,900)	(302,173)	49	(322,024)
Increase (decrease) in compensated absences	(2,108)	(3,884)	178	(5,814)
Increase (decrease) in payroll and benefits	1,382	(3,490)	-	(2,108)
Increase in customer deposits payable	<u>8,664</u>	<u>-</u>	<u>-</u>	<u>8,664</u>
Net cash provided by operating activities	<u>\$ 279,802</u>	<u>\$ 592,099</u>	<u>\$ 22,068</u>	<u>\$ 893,969</u>

See accompanying notes to the basic financial statements.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

Basis of Accounting:

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

Government-wide Financial Statements

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

Governmental Fund Financial Statements

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

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

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

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

Expenditure Recognition

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

Proprietary Fund Financial Statements

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

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

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

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until them. The City has one item that meets this criterion, contributions made to the pension plan in the 2015 fiscal year. In addition to liabilities, the statement of net position will sometimes report a separate section for *Deferred Inflows of Resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. They City has one item that meets this criterion, deferrals of pension expense that result from the implementation of GASB Statement 68.

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

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

Cash and Cash Equivalents: The City maintains and controls a cash pool in which a majority of the City's funds share. Each fund's portion of the pool is displayed on their respective balance sheet or statement of net position as "Cash and cash equivalents". The City also maintains several trust accounts related to various reserves required for its bond issuance. These accounts are displayed on their respective balance sheet or statement of net position as "Restricted cash and cash equivalents". For purposes of the statement of cash flows, short-term investments with a maturity date within three months of the date acquired by the City, if any, are considered cash equivalents.

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

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

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

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest incurred during the construction phase of capital assets of business-type activities is reflected in the capitalized value of the asset constructed. Capitalized interest for the year ended September 30, 2015 was \$332,183. (Total interest incurred by the City during the year ended September 30, 2015 was \$783,399.)

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

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

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

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

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

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

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

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

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

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

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

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

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

NOTE B - CASH AND CASH EQUIVALENTS

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

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

At September 30, 2015, the carrying amount of the City’s deposits was \$4,561,725 and the bank balance was \$4,623,276. Of the bank balance, \$250,000 was covered by federal depository insurance and \$4,373,276 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, 2015.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE B - CASH AND CASH EQUIVALENTS (continued)

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

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

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

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

NOTE C - RESTRICTED ASSETS

Cash and cash equivalents are restricted for the following purposes:

Proprietary Funds	
Water fund:	
Customer deposits	\$ 222,635
Replacement accounts	174,459
Series 2001 Water Bonds:	
Principal retirement	150,000
Interest retirement	11,639
	558,733
Wastewater fund:	
Series 2013 Sewer Bonds:	
Principal retirement	95,000
Interest retirement	118,041
Series 2014 Sewer Bonds:	
Principal retirement	80,000
Interest retirement	58,259
Waterworks & Sewerage Revenue	
Bonds, Series A:	
Debt service reserve	2,895
	354,195
Total Proprietary funds	\$ 912,928

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE D - UTILITIES RECEIVABLES

Utilities receivable represent user-based charges for services provided to the City's customers. Net receivables at September 30, 2015 were as follows:

	<u>Total</u>	<u>Allowance</u>	<u>Net</u>
	<u>Receivables</u>		<u>Receivables</u>
Business-type activities:			
Major enterprise funds:			
Water	\$ 217,390	\$ 2,800	\$ 214,590
Wastewater	299,416	20,000	279,416
Solid waste	<u>42,075</u>	<u>600</u>	<u>41,475</u>
 Total	 <u>\$ 558,881</u>	 <u>\$ 23,400</u>	 <u>\$ 535,481</u>

NOTE E - TAXES RECEIVABLE

Property taxes are levied and recorded each November 1 on the assessed value as of the prior January 1 for all property located in the City, and are delinquent on January 1 (the lien date) following the levy date. The assessed value of local property at October 1, 2014, on which the fiscal year ended September 30, 2015 levy was based, was \$57,453,061.

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	\$ 0.6475
Park	0.1616
Debt Service	<u>0.4135</u>
 Total	 <u>\$ 1.2226</u>

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE E - TAXES RECEIVABLE (continued)

Taxes receivable represent the collectible ad valorem taxes, local sales taxes and franchise taxes. Adjustments have been made during the year to remove any uncollectible accounts. Management believes that the remaining receivables will be collected in the next fiscal year. Balances at September 30, 2015 were as follows:

	General Fund	Park Fund	1/2 Cent Transportation Sales Tax Fund	Debt Service Fund	Municipal Complex Fund	Total
Property tax	\$ 24,536	\$ 6,124	\$ -	\$ 15,669	\$ -	\$ 46,329
Sales tax	143,327	34,287	68,576	-	34,288	280,478
Franchise taxes	61,976	-	-	-	-	61,976
	<u>\$229,839</u>	<u>\$ 40,411</u>	<u>\$ 68,576</u>	<u>\$ 15,669</u>	<u>\$ 34,288</u>	<u>\$388,783</u>

NOTE F - INSURANCE

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

NOTE G - COMMITMENTS AND CONTINGENCIES

Federal and State Grants

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

Purchase Commitments

On September 21, 2015, the City entered into a contract with Metro Asphalt, Inc. for a milling and asphalt overlay project on various streets throughout the city. The total cost of the contract was \$189,229. As of September 30, 2015, no costs had been incurred on this contract.

On September 23, 2015, the City also entered into a contract with Pavement Management for slurry seal projects on Sunshine Drive and Southview Park parking lot. The total cost of this contract was \$44,113. As of September 30, 2015, the City still has \$28,490 of remaining costs related to the Southview Park parking lot on this contract.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE H - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended September 30, 2015.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassification</u>	<u>Ending Balance</u>
Governmental activities:				
Nondepreciable assets:				
Land and land rights	\$ 354,750	\$ 77,828	\$ -	\$ 432,578
Construction in progress	195,715	18,981	214,696	-
Total capital assets, not being depreciated	<u>550,465</u>	<u>96,809</u>	<u>214,696</u>	<u>432,578</u>
Depreciable capital assets:				
Buildings and improvements	12,156,137	316,429	9,000	12,463,566
Vehicles	621,512	27,406	40,692	608,226
Equipment	2,745,340	64,211	138,431	2,671,120
Information systems	196,993	8,986	28,337	177,642
Office furniture and fixtures	77,708	2,380	2,300	77,788
Total capital assets being depreciated	<u>15,797,690</u>	<u>419,412</u>	<u>218,760</u>	<u>15,998,342</u>
Less accumulated depreciation:				
Buildings and improvements	1,928,573	384,014	9,000	2,303,587
Vehicles	526,135	32,357	40,692	517,800
Equipment	2,431,712	109,038	138,431	2,402,319
Information systems	195,810	1,964	28,337	169,437
Office furniture and fixtures	76,623	958	2,300	75,281
Total accumulated depreciation	<u>5,158,853</u>	<u>528,331</u>	<u>218,760</u>	<u>5,468,424</u>
Total capital assets being depreciated, net	<u>10,638,837</u>	<u>(108,919)</u>	<u>-</u>	<u>10,529,918</u>
Governmental activities capital assets, net	<u>\$ 11,189,302</u>	<u>\$ (12,110)</u>	<u>\$ 214,696</u>	<u>\$ 10,962,496</u>

Depreciation expense was charged to the governmental activities as follows:

Administration	\$ 149,361
Public safety	100,015
Public works	143,658
Community development	456
Cemetery, parks and recreation	134,841
	<u>\$ 528,331</u>

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE H - CAPITAL ASSETS (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassification</u>	<u>Ending Balance</u>
Business-type activities:				
Nondepreciable assets:				
Land and land rights	\$ 385,486	\$ -	\$ -	\$ 385,486
Construction in progress	<u>10,251,020</u>	<u>1,655,516</u>	<u>11,874,652</u>	<u>31,884</u>
Total capital assets, not being depreciated	<u>10,636,506</u>	<u>1,655,516</u>	<u>11,874,652</u>	<u>417,370</u>
Capital assets, being depreciated:				
Buildings and improvements	42,635	4,363	-	46,998
Vehicles	496,884	52,552	32,470	516,966
Equipment	366,611	239,462	139,640	466,433
Information systems	44,694	42,954	23,040	64,608
Treatment facility	5,036,094	11,835,293	3,065,558	13,805,829
Production and transmission system	<u>11,298,781</u>	<u>-</u>	<u>2,105,862</u>	<u>9,192,919</u>
Total capital assets being depreciated	<u>17,285,699</u>	<u>12,174,624</u>	<u>5,366,570</u>	<u>24,093,753</u>
Less accumulated depreciation:				
Buildings and improvements	33,830	894	-	34,724
Vehicles	459,898	19,461	32,470	446,889
Equipment	301,000	29,642	139,640	191,002
Information systems	40,194	12,908	23,040	30,062
Treatment facility	3,369,228	183,080	2,031,094	1,521,214
Production and transmission system	<u>3,618,368</u>	<u>234,600</u>	<u>473,365</u>	<u>3,379,603</u>
Total accumulated depreciation	<u>7,822,518</u>	<u>480,585</u>	<u>2,699,609</u>	<u>5,603,494</u>
Total capital assets being depreciated, net	<u>9,463,181</u>	<u>11,694,039</u>	<u>2,666,961</u>	<u>18,490,259</u>
Business-type activities capital assets, net	<u>\$ 20,099,687</u>	<u>\$ 13,349,555</u>	<u>\$ 14,541,613</u>	<u>\$ 18,907,629</u>

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

Water	\$ 183,467
Waste water	295,425
Solid waste	<u>1,693</u>
	<u>\$ 480,585</u>

During the year, the City abandoned obsolete capital assets with a net book value of \$2,661,961 in the wastewater fund due to the replacement of these capital assets during the renovations at the south wastewater treatment plant.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE I - RETIREMENT PLAN

Plan Description

The City of Richmond defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City of Richmond participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

Benefits Provided

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

2015 Valuation

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

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

Employees Covered by Benefit Terms

At June 30, 2015, the following employees were covered by the benefit terms:

Retirees and beneficiaries	32
Inactive, nonretired	40
Active employees	<u>51</u>
	<u><u>123</u></u>

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE I - RETIREMENT PLAN (continued)

Contributions

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the employer do not contribute to the pension plan. Employer contribution rates are 5.70% General, 14.00% Police and 5.10% Fire of annual covered payroll.

Net Pension Liability

The employer's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2015.

Actuarial Assumptions

The total pension liability in the February 28, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5% wage inflation; 3.0 price inflation
Salary increase	3.5% to 6.8% including wage inflation
Investment rate of return	7.25%, net of investment and administrative expenses

Mortality rates were based on the 1994 Group Annuity Mortality Table set back 3 years for both males and females.

The actuarial assumptions used in February 28, 2015 valuation were based on the results of an actuarial experience study for the period March 1, 2005 through February 28, 2010.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	48.50%	5.50%
Fixed Income	25.00%	2.25%
Real Assets	20.00%	4.50%
Strategic Assets	6.50%	7.50%

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE I - RETIREMENT PLAN (continued)

Discount Rate

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

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

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

	1% Decrease	Current Single Discount Rate Assumption	1% Increase
	<u>6.25%</u>	<u>7.25%</u>	<u>8.25%</u>
Total Pension Liability (TPL)	\$ 2,916,005	\$ 2,575,076	\$ 2,290,157
Plan Fiduciary Net Position	<u>3,124,130</u>	<u>3,124,130</u>	<u>3,124,130</u>
Net Pension Liability/(Asset) (NPL)	<u>\$ (208,125)</u>	<u>\$ (549,054)</u>	<u>\$ (833,973)</u>

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

For the year ended September 30, 2015 the employer recognized pension expense of \$105,626. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	General		Police		Fire	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 49,056	\$ -	\$ -	\$ (37,899)	\$ 5,663	\$ -
Changes in assumptions	-	-	-	-	-	-
Net difference between projected and actual earnings	127,113	-	40,282	-	51,110	-
Employer contributions subsequent to the measurement date *	<u>18,497</u>	<u>-</u>	<u>12,211</u>	<u>-</u>	<u>7,113</u>	<u>-</u>
	<u>\$ 194,666</u>	<u>\$ -</u>	<u>\$ 52,493</u>	<u>\$ (37,899)</u>	<u>\$ 63,886</u>	<u>\$ -</u>

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE I - RETIREMENT PLAN (continued)

* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending September 30, 2015.

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

Year Ending June 30,	Net Deferred Outflows of Resources		
	General	Police	Fire
2016	\$ 50,005	\$ (2,010)	\$ 13,808
2017	50,005	(2,010)	13,808
2018	44,380	(2,010)	13,808
2019	31,778	8,413	13,806
2020	-	-	1,030
Thereafter	-	-	513
Total	<u>\$ 176,168</u>	<u>\$ 2,383</u>	<u>\$ 56,773</u>

Payable to the Pension Plan

At September 30, 2015, the City reported a payable of \$150,643 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

Pension Plan Fiduciary Net Position

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

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE J - LONG-TERM DEBT

Changes in long-term debt during the year ended September 30, 2015 were as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u> <u>Balance</u>	<u>Amount</u> <u>due within</u> <u>one year</u>
Governmental Activities:					
General obligation bonds	\$ 2,005,000	\$ -	\$ 175,000	\$ 1,830,000	\$ 185,000
Notes payable	94,765	-	94,765	-	-
Lease purchases	4,398,489	-	106,105	4,292,384	111,630
Compensated absences	<u>87,541</u>	<u>14,718</u>	<u>-</u>	<u>102,259</u>	<u>102,259</u>
Total Governmental Activities	<u>\$ 6,585,795</u>	<u>\$ 14,718</u>	<u>\$ 375,870</u>	<u>\$ 6,224,643</u>	<u>\$ 398,889</u>
Business-Type Activities:					
Waterworks & Sewerage Revenue Bonds	\$ 10,525,000	\$ 968,000	\$ 628,619	\$ 10,864,381	\$ 391,805
Note payable	763,500	204,500	968,000	-	-
Compensated absences	<u>38,857</u>	<u>-</u>	<u>5,992</u>	<u>32,865</u>	<u>32,865</u>
Total Business-Type Activities	<u>\$ 11,327,357</u>	<u>\$ 1,172,500</u>	<u>\$ 1,602,611</u>	<u>\$ 10,897,246</u>	<u>\$ 424,670</u>

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

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

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE J - LONG-TERM DEBT (continued)

Governmental activities long-term debt consists of the following:

General obligation bonds:

Series 2011 General Obligation Bonds due in varying annual installments through March 1, 2024, interest of 3.00% to 4.00%	\$ <u>1,830,000</u>
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Lease purchases:

Lease purchase for municipal complex due in varying annual installments through July 2043, interest of 2.00% to 4.25%	\$ 4,265,000
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Lease purchase for copy machines due in monthly installments of \$323 through September 2017, interest at 4.00%	9,214
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Lease purchase for cameras for police cars due in monthly installments of \$655 through October 2017, interest at 5.010%	15,526
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Lease purchase for copy machine due in monthly installments of \$69 through February 2019, interest at 4.00%	<u>2,644</u>
--	--------------

	\$ <u>4,292,384</u>
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Business-type activities long-term debt consists of the following:

Revenue bonds:

Series 2001 A State Environmental Improvement and Energy Resources Authority Water Pollution Control and Drinking Water Revenue Bonds due in varying annual installments through January 2021, interest of 4.75% to 5.00%	\$ 1,315,000
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Series 2013 Waterworks & Sewerage Revenue Bonds, due in varying annual installments through February 2042, interest of 2.00% to 5.25%	5,320,000
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Series 2014 Waterworks & Sewerage Revenue Bonds, due in varying annual installments through August 2042, interest of 2.00% to 4.125%	3,275,000
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Combined Waterworks & Sewerage Revenues Bonds Series A, due in monthly installments of \$3,619 through February 2050, interest at 2.75%	<u>954,381</u>
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	\$ <u>10,864,381</u>
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CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE J - LONG-TERM DEBT (continued)

Debt service requirements to maturity are:

Year Ending September 30,	Governmental Activities						Business-Type Activity	
	G.O. Bonds		Lease Purchases		Total		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 185,000	\$ 60,007	\$ 111,630	\$ 155,798	\$ 296,630	\$ 215,805	\$ 391,805	\$ 450,510
2017	190,000	54,381	113,961	153,278	303,961	207,659	392,267	435,892
2018	205,000	48,456	101,451	150,957	306,451	199,413	412,742	420,534
2019	210,000	41,181	105,342	148,829	315,342	190,010	428,230	403,858
2020	220,000	32,581	105,000	146,597	325,000	179,178	433,731	386,157
2021	235,000	24,304	110,000	143,710	345,000	168,014	449,246	367,817
2022	240,000	16,466	110,000	140,685	350,000	157,151	214,776	353,858
2023	255,000	7,885	115,000	137,660	370,000	145,545	225,319	345,250
2024	90,000	1,631	120,000	134,066	210,000	135,697	270,878	335,028
2025	-	-	125,000	130,316	125,000	130,316	281,452	325,067
2026	-	-	125,000	126,410	125,000	126,410	292,042	314,727
2027	-	-	130,000	122,191	130,000	122,191	302,648	303,471
2028	-	-	135,000	117,804	135,000	117,804	313,271	291,185
2029	-	-	140,000	113,247	140,000	113,247	328,911	278,370
2030	-	-	145,000	107,997	145,000	107,997	344,569	264,912
2031	-	-	150,000	102,560	150,000	102,560	355,245	250,212
2032	-	-	155,000	96,935	155,000	96,935	370,939	235,042
2033	-	-	160,000	91,122	160,000	91,122	386,652	219,204
2034	-	-	170,000	85,122	170,000	85,122	402,385	202,396
2035	-	-	175,000	78,152	175,000	78,152	423,138	184,606
2036	-	-	180,000	70,978	180,000	70,978	443,912	165,619
2037	-	-	190,000	63,598	190,000	63,598	459,707	145,812
2038	-	-	195,000	55,808	195,000	55,808	480,524	125,182
2039	-	-	205,000	47,812	205,000	47,812	506,363	102,850
2040	-	-	215,000	39,100	215,000	39,100	527,226	78,568
2041	-	-	225,000	29,963	225,000	29,963	553,112	53,138
2042	-	-	235,000	20,400	235,000	20,400	579,022	26,559
2043	-	-	245,000	10,413	245,000	10,413	34,958	8,467
2044	-	-	-	-	-	-	35,920	7,506
2045	-	-	-	-	-	-	36,907	6,518
2046	-	-	-	-	-	-	37,922	5,503
2047	-	-	-	-	-	-	38,965	4,460
2048	-	-	-	-	-	-	40,037	3,388
2049	-	-	-	-	-	-	41,138	2,287
2050	-	-	-	-	-	-	28,422	1,156
Total	\$ 1,830,000	\$ 286,892	\$ 4,292,384	\$ 2,821,508	\$ 6,122,384	\$ 3,108,400	\$ 10,864,381	\$ 7,105,109

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE J - LONG-TERM DEBT (continued)

Revolving Loan Fund

In accordance with the agreement between various public entities (including the City of Richmond) and the State Environmental Improvement and Energy Resources Authority (the Authority), the City issued the Series 2001A revenue bonds. In connection with the City's issuance of these revenue bonds, the City participates in a revolving loan program established by the Department of Natural Resources (DNR). The revolving fund, which consists of 83.33% federal dollars and 16.67% state dollars, is designed to serve as a guarantee for local municipalities' drinking water revenue bond financing. The State of Missouri manages and invests the bond proceeds on behalf of the City. As the City incurs approved capital expenditures, DNR reimburses the City for the expenditure from the bond proceeds account and deposits an additional 50% of the expenditure amount in a Bond Reserve Fund in the City's name and is held as a guarantee against the debt. Interest earned from this reserve fund can be used by the City to fund interest payment on the revenue bonds. For the year ended September 30, 2015, interest earnings from the 2001A reserve funds totaled \$21,781. The reserve fund is transferred back to the State as bond issues are retired. The costs of operation and maintenance of the system and debt service is payable from Water Fund operating revenues.

Note Payable

On August 20, 2013, the City entered into a loan agreement with USDA not to exceed \$968,000. The loan provided multiple advances to finance a portion of improvements to the City's wastewater facility. Upon the final advance payment, USDA issued one bond, a Combined Waterworks and Sewerage System Revenue Bond, in the amount of \$968,000 with interest at 2.75%.

Revenue Bonds Payable

In April 2010 and 2011, the City voters approved the issuance of Combined Waterworks and Sewerage System Revenue Bonds of \$5,100,000 and \$4,700,000, respectively for the purpose of improving the system. As of September 30, 2015, the City has issued all of the \$5,100,000 bonds and \$4,698,000 of the \$4,700,000 bonds. As discussed above, the City issued a bond for \$968,000 held by USDA upon the final loan advance payment per the loan agreement with USDA.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE J - LONG-TERM DEBT (continued)

Lease Purchases

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

The assets acquired through capital leases are as follows:

	Governmental Activities
Building	\$ 3,611,326
Equipment	72,867
Less: Accumulated depreciation	(637,021)
Total	\$ 3,047,172

NOTE K - INTERFUND TRANSFERS

During the year, the City transferred \$355,523 from the General Fund to the Municipal Complex Fund to cover the beginning deficit balance and shortfall of sales tax revenue in making the lease payment in the Municipal Complex Fund.

The City also transferred \$655 of DWI/ Drug Enforcement funds from the Police Training Fund to the General Fund to assist with the lease payments for the police car cameras.

NOTE L - SUBSEQUENT EVENTS

On October 13, 2015, the City entered into a contract for a water service connections project on North Thornton Street at a cost not to exceed \$64,278.

NOTE M - CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The City implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending September 30, 2015. The implementation of the statement required the City to record beginning net pension asset and the effects on net position of contributions made by the City during the measurement period (fiscal year ending September 30, 2014). As a result, net position for the governmental and business-type activities increased by \$576,530 and \$265,569, respectively. The net position for the governmental activities also decreased by \$39,213 as a result of a correction to beginning accrued interest expense

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE N - FUND BALANCES

The following is a summary of the Governmental Fund balances of the City for the year ended September 30, 2015.

<u>Classification/Fund</u>	<u>Purpose</u>	
Nonspendable:		
General Fund	Inventory	\$ 66,589
General Fund	Prepaid expenses	<u>21,247</u>
		87,836
Park	Prepaid expenses	1,229
Cemetery trust fund	Cemetery	<u>101,444</u>
Total Nonspendable		<u>190,509</u>
Restricted:		
General Fund	Gym floor improvements	25,000
Park	Capital improvements	231,448
Other governmental	Police training	14,807
1/2 cent transportation sales tax	Capital improvements	734,989
Debt service	Debt payments	260,416
Municipal complex	Debt payments	<u>34,293</u>
Total Restricted		<u>1,300,953</u>
Unassigned:		
General Fund		<u>674,039</u>
Total Fund Balances		<u>\$ 2,165,501</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RICHMOND, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	BUDGET		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE (NEGATIVE)
REVENUES:				
Sales tax	\$ 985,000	\$ 985,000	\$ 989,774	\$ 4,774
Property tax	387,000	387,000	407,308	20,308
Franchise tax	596,000	596,000	589,894	(6,106)
Licenses and permits	37,400	38,150	39,597	1,447
Other local taxes	272,000	272,000	280,295	8,295
Fines, tickets and fees	143,550	143,650	156,488	12,838
Charges for services	306,325	305,975	169,117	(136,858)
Grants	10,000	601,350	499,255	(102,095)
Interest revenue	12,600	12,600	15,215	2,615
Other revenue	51,910	51,410	72,526	21,116
Total Revenues	<u>2,801,785</u>	<u>3,393,135</u>	<u>3,219,469</u>	<u>(173,666)</u>
EXPENDITURES:				
Administration	373,539	384,099	96,961	287,138
Public safety	1,570,762	1,580,762	1,522,302	58,460
Public works	287,605	307,095	268,133	38,962
Community development	201,852	201,852	171,871	29,981
Cemetery, parks and recreation	479,096	479,096	284,233	194,863
Capital outlay	95,000	92,950	103,624	(10,674)
Early childhood facility grant	-	572,000	643,873	(71,873)
Debt service:				
Principal	6,900	6,900	11,105	(4,205)
Interest and fees	970	970	1,461	(491)
Total Expenditures	<u>3,015,724</u>	<u>3,625,724</u>	<u>3,103,563</u>	<u>522,161</u>
Other financing sources (uses):				
Debt proceeds	20,000	20,000	-	(20,000)
Transfers	(358,500)	(358,500)	(354,868)	3,632
Total other financings sources (uses)	<u>(338,500)</u>	<u>(338,500)</u>	<u>(354,868)</u>	<u>(16,368)</u>
Net change in fund balance	<u>\$ (552,439)</u>	<u>\$ (571,089)</u>	(238,962)	<u>\$ 332,127</u>
Fund balance, beginning of year - budgetary basis			<u>980,474</u>	
Fund balance, end of year - budgetary basis			741,512	
GAAP adjustments:				
Receivables:				
Taxes			205,548	
Grants			285,801	
Accounts			8,435	
Accounts payable			(333,517)	
Accrued payroll and benefits			<u>(120,904)</u>	
Fund balances, end of year - GAAP basis			<u>\$ 786,875</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, 2015

	<u>BUDGET</u>		<u>ACTUAL</u>	VARIANCE WITH
	<u>ORIGINAL</u>	<u>FINAL</u>		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES:				
Sales tax	\$ 231,500	\$ 231,500	\$ 234,634	\$ 3,134
Property tax	90,700	90,700	93,672	2,972
Charges for services	2,500	2,500	2,374	(126)
Interest revenue	600	600	786	186
Other revenue	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>(3,000)</u>
Total Revenues	<u>328,300</u>	<u>328,300</u>	<u>331,466</u>	<u>3,166</u>
EXPENDITURES:				
Parks	179,982	189,812	177,680	12,132
Capital outlay	214,500	204,670	197,901	6,769
Debt service:				
Principal	95,000	95,000	94,770	230
Interest and fees	<u>3,450</u>	<u>3,450</u>	<u>2,789</u>	<u>661</u>
Total Expenditures	<u>492,932</u>	<u>492,932</u>	<u>473,140</u>	<u>19,792</u>
Net change in fund balance	<u>\$ (164,632)</u>	<u>\$ (164,632)</u>	(141,674)	<u>\$ 22,958</u>
Fund balance, beginning of year - budgetary basis			<u>348,016</u>	
Fund balance, end of year - budgetary basis			206,342	
GAAP adjustments:				
Receivables:				
Taxes			34,287	
Accounts payable			(3,070)	
Accrued payroll and benefits			<u>(4,882)</u>	
Fund balances, end of year - GAAP basis			<u>\$ 232,677</u>	

See accompanying notes to the required supplementary information.

CITY OF RICHMOND, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - 1/2 CENT TRANSPORTATION SALES TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>BUDGET</u>		<u>ACTUAL</u>	VARIANCE WITH FINAL BUDGET POSITIVE
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(NEGATIVE)</u>
REVENUES:				
Sales tax	\$ 462,900	\$ 462,900	\$ 469,284	\$ 6,384
Interest revenue	1,200	1,200	1,362	162
Other revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>464,100</u>	<u>464,100</u>	<u>470,646</u>	<u>6,546</u>
EXPENDITURES:				
Public works	399,408	399,408	84,804	314,604
Capital outlay	<u>-</u>	<u>-</u>	<u>451,671</u>	<u>(451,671)</u>
Total Expenditures	<u>399,408</u>	<u>399,408</u>	<u>536,475</u>	<u>(137,067)</u>
Net change in fund balance	<u>\$ 64,692</u>	<u>\$ 64,692</u>	(65,829)	<u>\$ (130,521)</u>
Fund balance, beginning of year - budgetary basis			<u>749,495</u>	
Fund balance, end of year - budgetary basis			683,666	
GAAP adjustments:				
Receivables:				
Taxes			68,576	
Accounts payable			<u>(17,253)</u>	
Fund balances, end of year - GAAP basis			<u>\$ 734,989</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, 2015

	BUDGET		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES:				
Sales tax	\$ 231,500	\$ 231,500	\$ 234,633	\$ 3,133
Interest revenue	-	-	-	-
Total Revenues	231,500	231,500	234,633	3,133
EXPENDITURES:				
Debt service:				
Principal	95,000	95,000	95,000	-
Interest and fees	159,000	159,000	158,868	132
Total Expenditures	254,000	254,000	253,868	132
Excess (deficiency) of revenues over expenditures	(22,500)	(22,500)	(19,235)	3,265
Other financing sources:				
Transfers	362,500	362,500	355,523	(6,977)
Net change in fund balance	\$ 340,000	\$ 340,000	336,288	\$ (3,712)
Fund balance, beginning of year - budgetary basis			(336,283)	
Fund balance, end of year - budgetary basis			5	
GAAP adjustments:				
Receivables:				
Taxes			34,288	
Fund balances, end of year - GAAP basis			\$ 34,293	

See accompanying notes to the required supplementary information.

CITY OF RICHMOND, MISSOURI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2015

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

Budget Compliance

Actual expenses in the ½ Cent Transportation Sales Tax Fund of \$536,475 exceeded budgeted amounts of \$399,408 by \$137,067.

The excess expenditures are a result of projects budgeted and completed in the prior year on the cash basis, however final accrual expenditures were paid in the current year.

CITY OF RICHMOND, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
SEPTEMBER 30, 2015

	<u>General</u>	<u>Police</u>	<u>Fire</u>
Total Pension Liability			
Service Cost	\$ 76,056	\$ 22,155	\$ 33,614
Interest on Total Pension Liability	170,261	77,045	63,128
Changes of Benefit Terms	-	-	-
Difference between expected and actual experience	67,283	(49,979)	6,693
Changes of Assumptions	-	-	-
Benefit payments, including refunds	(97,482)	(39,091)	(1,702)
Net change in total pension liability	216,118	10,130	101,733
Total pension liability - beginning	<u>2,358,958</u>	<u>1,071,007</u>	<u>855,061</u>
Total pension liability - ending (a)	<u>\$ 2,575,076</u>	<u>\$ 1,081,137</u>	<u>\$ 956,794</u>
 Plan fiduciary net position			
Contributions - employer	83,199	49,354	30,320
Contributions - employee	-	-	-
Net investment income	62,447	17,608	23,017
Benefit payments, including refunds	(97,482)	(39,091)	(1,702)
Pension Plan Administrative Expense	(5,965)	(2,237)	(1,119)
Other (Net Transfers)	37,463	(56,162)	50,254
Net change in plan fiduciary net position	79,662	(30,528)	100,770
Plan fiduciary net position - beginning	<u>3,044,468</u>	<u>961,022</u>	<u>1,160,494</u>
Plan fiduciary net position - ending (b)	<u>\$ 3,124,130</u>	<u>\$ 930,494</u>	<u>\$ 1,261,264</u>
Net pension liability/(asset) - ending (a) - (b)	<u>\$ (549,054)</u>	<u>\$ 150,643</u>	<u>\$ (304,470)</u>
 Plan fiduciary net position as a percentage of the total pension liability			
	121.32%	86.07%	131.82%
 Covered-employee payroll			
	\$ 1,134,569	\$ 355,442	\$ 397,310
 Net pension liability/(asset) as a percentage of covered employee payroll			
	(48.39)%	42.38%	(76.63)%

**CITY OF RICHMOND, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS
SEPTEMBER 30, 2015**

<u>Fiscal Year</u>	<u>Actuarially Determined Contribution</u>	<u>Contribution in Relation</u>	<u>Contribution Deficiency</u>	<u>Covered Employee Payroll</u>	<u>Contribution as Percentage</u>
2006	\$ 136,532	\$ 186,359	\$ (49,827)	\$ 1,871,027	9.96%
2007	157,620	214,655	(57,035)	2,086,590	10.29%
2008	184,132	184,132	-	1,892,466	9.73%
2009	185,962	185,962	-	1,933,797	9.62%
2010	165,376	165,376	-	1,789,733	9.24%
2011	163,954	159,382	4,572	1,560,193	10.22%
2012	181,425	178,572	2,853	1,670,824	10.69%
2013	177,373	177,373	-	1,712,829	10.36%
2014	159,771	159,771	-	1,699,066	9.40%
2015	162,249	162,249	-	1,901,167	8.53%

Valuation date: February 28, 2015

Notes: The roll-forward of total pension liability from February 28, 2015 to June 30, 2015 reflects expected service cost and interest reduced by actual benefit payments and administrative expenses

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	Multiple bases from 14 to 26 years for General Division Multiple bases from 14 to 20 years for Police and Fire Divisions
Asset Valuation Method	5-Year smoothed market; 20% corridor
Inflation	3.5% wage inflation; 3.0% price inflation
Salary Increases	3.5% to 6.8% including wage inflation for General and Police Division 3.5% to 8.6% including wage inflation for Fire Division
Investment Rate of Return	7.25% net of investment and administrative expenses
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	105% of the 1994 Group Annuity Mortality Table set back 0 years for men and 0 years for women. Based upon experience observed during the most recent 5-year period study, it appears that the current table provides for an approximate 13% margin for future mortality improvement.
Other information:	None

SUPPLEMENTARY INFORMATION

**CITY OF RICHMOND, MISSOURI
 COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2015**

	<u>SPECIAL REVENUE FUND</u>	<u>PERMANENT FUND</u>	<u>TOTAL OTHER GOVERNMENTAL FUNDS</u>
	<u>POLICE TRAINING</u>	<u>CEMETERY TRUST</u>	
ASSETS			
Cash and cash equivalents	\$ 14,807	\$ 101,444	\$ 116,251
LIABILITIES AND FUND BALANCES			
Liabilities	\$ -	\$ -	\$ -
Fund balances:			
Nonspendable	-	101,444	101,444
Restricted	14,807	-	14,807
Total Fund Balances	14,807	101,444	116,251
Total Liabilities and Fund Balances	\$ 14,807	\$ 101,444	\$ 116,251

CITY OF RICHMOND, MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>SPECIAL REVENUE FUND</u>	<u>PERMANENT FUND</u>	<u>TOTAL OTHER GOVERNMENTAL FUNDS</u>
	<u>POLICE TRAINING</u>	<u>CEMETERY FUND</u>	
REVENUES:			
Fines, tickets and fees	\$ 4,897	\$ -	\$ 4,897
Charges for services	-	814	814
Interest revenue	<u>39</u>	<u>259</u>	<u>298</u>
Total Revenues	<u>4,936</u>	<u>1,073</u>	<u>6,009</u>
EXPENDITURES:			
Public safety	3,768	-	3,768
Cemetery	<u>-</u>	<u>257</u>	<u>257</u>
Total Expenditures	<u>3,768</u>	<u>257</u>	<u>4,025</u>
Excess (deficiency) of revenues over expenditures	<u>1,168</u>	<u>816</u>	<u>1,984</u>
Other financing sources (uses):			
Transfers	<u>(655)</u>	<u>-</u>	<u>(655)</u>
Net change in fund balances	513	816	1,329
Fund balance, beginning of year	<u>14,294</u>	<u>100,628</u>	<u>114,922</u>
Fund balance, end of year	<u>\$ 14,807</u>	<u>\$ 101,444</u>	<u>\$ 116,251</u>

CITY OF RICHMOND, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PROJECT NUMBER	EXPENDITURES
<u>U.S. Department of Agriculture</u>			
Direct:			
Water and Waste Disposal Systems Loan	10.760	29-089-446000252	\$ 197,804
Water and Waste Disposal Systems Grant	10.760	29-089-446000252	416,100
			<u>613,904</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Missouri Department of Economic Development:			
Community Development Block Grant	14.228	2012-PF-09	2,200
Community Development Block Grant (Note 3)	14.228	2012-PF-27	643,873
Total Community Development Block Grant			<u>646,073</u>
<u>U.S. Department of Transportation</u>			
Passed through Missouri Department of Transportation:			
Safe Routes to Schools Infrastructure Grant	20.205	SRTS-INF-H284 (104)	18,747
Richmond PD HMV Enforcement	20.600	15-PT-02-061	2,482
Passed through Missouri Department of Transportation, Traffic & Highway Safety Division:			
Passed through University of Central Missouri:			
Child Passenger Safety Enforcement	20.613	14-K3-05-001	463
Click it or Ticket Enforcement Campaign	20.616	15-M2HVE-05-020	524
Child Passenger Safety Enforcement	20.616	15-M2HVE-05-022	478
Holiday DWI Enforcement Campaign	20.616	15-M2HVE-05-035	739
St. Patrick's DWI Enforcement Campaign	20.616	15-M2HVE-05-035	687
Youth Alcohol Enforcement Campaign	20.616	15-M2HVE-05-035	776
Drive Sober or Get Pulled Over DWI Enforcement Campaign	20.616	15-M2HVE-05-035	815
			<u>4,482</u>
			<u>\$ 1,285,688</u>

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Richmond under programs of the federal government for the year ended September 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of City of Richmond, it is not intended to and does not present the financial position, change in net position or cash flows of City of Richmond.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Subrecipient

Of the federal expenditures presented in the Schedule, City of Richmond provided federal awards of \$643,873 to a subrecipient from the Community Block Grant, CFDA No. 14.228.

INTERNAL CONTROL AND COMPLIANCE

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

To the City Council
City of Richmond, Missouri

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Richmond as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 21, 2016.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2015-001 to be a material weakness.

Compliance and Other Matters

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

City's Response to Findings

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

Purpose of this Report

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

Westbrook & Co., P.C.

Richmond, Missouri
January 21, 2016

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE AS REQUIRED BY OMB CIRCULAR A-133**

To the City Council
City of Richmond, Missouri

Report on Compliance for Each Major Federal Program

We have audited the City's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2015. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended September 30, 2015.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Richmond, Missouri
January 21, 2016

**CITY OF RICHMOND, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
• Material weakness(es) identified?	<u> X </u>	Yes	<u> </u> No
• Significant deficiency(ies) identified?	<u> </u>	Yes	<u> X </u> None reported
Noncompliance material to financial statements noted?	<u> </u>	Yes	<u> X </u> No

Federal Awards

Internal control over major programs:			
• Material weakness(es) identified?	<u> </u>	Yes	<u> X </u> No
• Significant deficiency(ies) identified?	<u> </u>	Yes	<u> X </u> None reported

Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
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Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	<u> </u>	Yes	<u> X </u>	No
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Identification of major programs:	
Community Development Block Grant	CFDA No. 14.228

Dollar threshold used to distinguish between type A and type B programs:	<u>\$ 300,000</u>
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Auditee qualified as low-risk auditee?	<u> </u>	Yes	<u> X </u>	No
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**CITY OF RICHMOND, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

B. FINDINGS - FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

2015-001 - UTILITY BILLING

Condition: The Collector's office receives the payments for the utility billings, property taxes, licenses and fees, deposits these monies and has the ability to make adjustments to the accounts. Also, the City does not perform monthly accounting procedures to reconcile the amounts billed for utilities to amounts collected and reported in the general ledger.

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. Also, the City should perform monthly accounting procedures to provide controls over utility billings and collections.

Cause: Accounting duties for cash receipts are not properly segregated. Also, monthly internal control procedures over utility billings have not been implemented by the City.

Effect: Lack of segregation of duties and inadequate accounting controls over utility billings could allow errors or fraud to occur and go undetected.

Recommendation: We recommend that the City review their segregation of duties over cash receipts to provide internal controls. We also recommend that the City implement monthly accounting procedures to provide a reconciliation of the amounts billed to amounts collected and reported in the general ledger.

Auditee's Response: We believe that short of creating two distinct and separate offices, i.e. collections and billings, it would be virtually impossible to remove the Collector's ability to make all adjustments. All utility 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 utility adjustments, the Finance Director randomly selects adjustments posted to the system to reconcile to the adjustments request forms that are approved by the City Administrator.

The Finance Director does perform a reconciliation of the amounts billed for utilities to amounts collected and reported in the general ledger several times throughout the year. The reconciliation will be performed on a monthly basis in the future. The Finance Director and City Administrator also monitor the monthly receipts for all accounts very closely. We believe that we would detect any significant anomalies in our utility receipts.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

**CITY OF RICHMOND, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

The prior audit report contained no written comments relating to the federal awards programs.