

**CITY OF RICHMOND, MISSOURI
FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT
AUDITOR'S REPORT
FOR THE YEAR ENDED
SEPTEMBER 30, 2010**

**CITY OF RICHMOND, MISSOURI
TABLE OF CONTENTS**

INDEPENDENT AUDITOR'S REPORT 1-2

REQUIRED SUPPLEMENTARY INFORMATION:

 Management’s Discussion and Analysis..... 3-14

BASIC FINANCIAL STATEMENTS:

Government-Wide Financial Statements

 Statement of Net Assets 15

 Statement of Activities 16

Fund Financial Statements

 Governmental Funds Financial Statements:

 Balance Sheet 17

 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Assets 18

 Statement of Revenues, Expenditures and Changes in
 Fund Balances 19

 Reconciliation of the Statement of Revenues, Expenditures and Changes
 In Fund Balances of Governmental Funds to the Statement of Activities 20

 Proprietary Funds Financial Statements:

 Statement of Net Assets 21

 Statement of Revenues, Expenditures and Changes in Fund
 Net Assets 22

 Statement of Cash Flows..... 23

Notes to the Basic Financial Statements 24-41

**CITY OF RICHMOND, MISSOURI
TABLE OF CONTENTS**

REQUIRED SUPPLEMENTARY INFORMATION:

Budgetary Comparison Schedules:

General Fund	42
Park Fund	43
½ Cent Sales Tax Fund	44
Municipal Complex Fund	45
Notes to the Required Supplementary Information	46
Schedule of Funding Progress - Retirement Plan	47

SUPPLEMENTARY INFORMATION:

Non-Major Governmental Funds:

Combining Balance Sheet	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	49

INTERNAL CONTROL AND COMPLIANCE:

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	50-51
Schedule of Findings and Responses	52-53
Summary Schedule of Prior Year Audit Findings	54



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Richmond, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Richmond, Missouri, as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Richmond as of September 30, 2010, and the respective changes in financial position and, where applicable cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2011 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* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 14 and 42 through 47 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information presented on pages 48 and 49 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

August 31, 2011

**CITY OF RICHMOND, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010
(UNAUDITED)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2010. 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 \$14,667,565. Of this amount, \$14,662,925 represents the City's investment in capital assets, net of related debt; \$670,490 is restricted for debt service and \$103,406 is restricted for perpetual care. There is a deficit of \$2,121,649 of net assets unrestricted for governmental activities and \$1,352,393 of net assets unrestricted for business-type activities.
- The City's total net assets increased \$1,076,192.
- The City's long-term debt decreased approximately \$670,000 during the current fiscal year.
- The citizens approved a \$5,100,000 bond to pay for the needed South Wastewater Treatment Plant improvements.

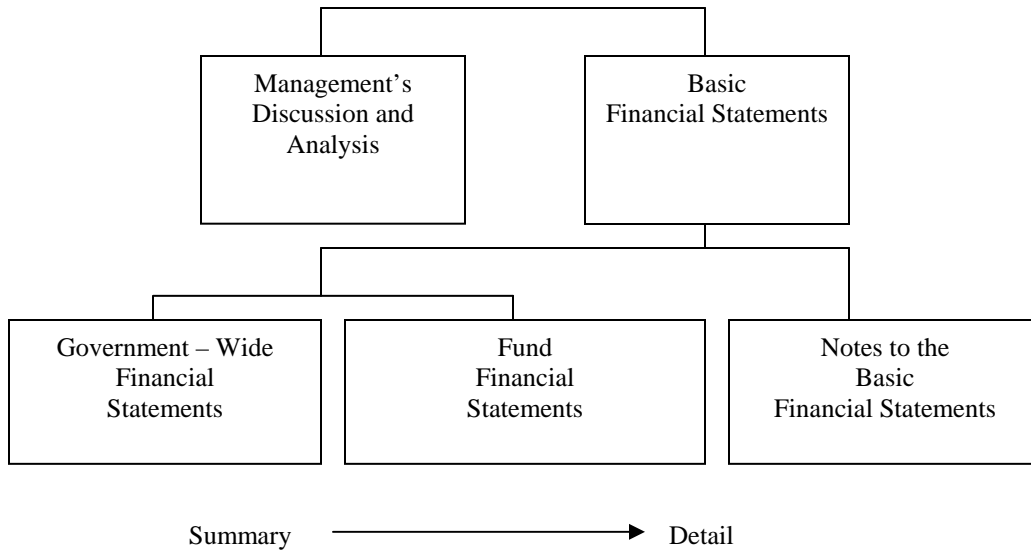
Overview of the Financial Statements

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

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

**CITY OF RICHMOND, MISSOURI
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010
(UNAUDITED)**

Required Components



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

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

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

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

**CITY OF RICHMOND, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010
(UNAUDITED)**

Government-Wide Financial Statements

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

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

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

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

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

**CITY OF RICHMOND, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010
(UNAUDITED)**

Fund Financial Statements

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

The City has two types of funds:

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

Government-Wide Financial Analysis

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

**CITY OF RICHMOND, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010
(UNAUDITED)**

Figure 1

City of Richmond's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets:						
Current & other assets	\$ 1,285,677	\$ 698,542	\$ 2,238,155	\$ 1,919,840	\$ 3,523,832	\$ 2,618,382
Capital assets	<u>11,301,435</u>	<u>11,205,327</u>	<u>11,059,348</u>	<u>11,407,724</u>	<u>22,360,783</u>	<u>22,613,051</u>
Total assets	<u>12,587,112</u>	<u>11,903,869</u>	<u>13,297,503</u>	<u>13,327,564</u>	<u>25,884,615</u>	<u>25,231,433</u>
Liabilities:						
Other liabilities	593,446	521,063	347,584	867,873	941,030	1,388,936
Long-term liabilities	<u>7,325,982</u>	<u>7,252,213</u>	<u>2,997,549</u>	<u>2,998,911</u>	<u>10,323,531</u>	<u>10,251,124</u>
Total liabil	<u>7,919,428</u>	<u>7,773,276</u>	<u>3,345,133</u>	<u>3,866,784</u>	<u>11,264,561</u>	<u>11,640,060</u>
Net assets:						
Invested in capital assets, net of related debt	6,601,126	6,271,159	8,061,799	8,025,275	14,662,925	14,296,434
Restricted	235,718	216,369	538,178	492,873	773,896	709,242
Unrestricted	<u>(2,121,649)</u>	<u>(2,356,935)</u>	<u>1,352,393</u>	<u>942,632</u>	<u>(769,256)</u>	<u>(1,414,303)</u>
Total net as	<u>\$ 4,715,195</u>	<u>\$ 4,130,593</u>	<u>\$ 9,952,370</u>	<u>\$ 9,460,780</u>	<u>\$ 14,667,565</u>	<u>\$ 13,591,373</u>

Net assets may serve over time as a useful indicator of a government's financial position. As shown in Figure 1, the City's combined net assets increased to \$14,667,565 from \$13,591,373 as a result of the increase in net assets reflected in Figure 2.

For the year ended September 30, 2010, net assets of the City changed as follows:

**CITY OF RICHMOND, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010
(UNAUDITED)**

Figure 2

City of Richmond's Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program Revenues:						
Charges for services	\$ 285,941	\$ 309,341	\$ 2,923,168	\$ 2,905,364	\$ 3,209,109	\$ 3,214,705
Operating grants and contributions	70,924	102,709	-	-	70,924	102,709
Capital grants	288,740	346,086	-	-	288,740	346,086
General Revenues:						
Property Taxes	704,574	694,135	-	-	704,574	694,135
Sales and Use Taxes	1,816,772	1,839,287	-	-	1,816,772	1,839,287
Franchise and other taxes	1,025,948	896,318	2,827	3,850	1,028,775	900,168
Tickets and fines	139,270	142,437	-	-	139,270	142,437
Interest	11,046	12,085	61,299	65,366	72,345	77,451
Loss on disposal of assets	(11,830)	-	(6,594)	-	(18,424)	-
Other	-	-	-	-	-	-
Total Revenues	4,331,385	4,342,398	2,980,700	2,974,580	7,312,085	7,316,978
Expenses						
Administration	634,218	539,486	-	-	634,218	539,486
Public safety	1,699,582	1,640,257	-	-	1,699,582	1,640,257
Public works	479,451	600,762	-	-	479,451	600,762
Community development	144,482	127,945	-	-	144,482	127,945
Cemetery, parks, & recreation	463,766	486,013	-	-	463,766	486,013
Interest long-term debt	325,284	335,017	-	-	325,284	335,017
Water	-	-	1,149,336	1,106,303	1,149,336	1,106,303
Wastewater	-	-	1,081,591	1,273,597	1,081,591	1,273,597
Solid Waste	-	-	258,183	261,103	258,183	261,103
Total Expenses	3,746,783	3,729,480	2,489,110	2,641,003	6,235,893	6,370,483
Change in net assets	584,602	612,918	491,590	333,577	1,076,192	946,495
Beginning net assets	4,130,593	3,517,675	9,460,780	9,127,203	13,591,373	12,644,878
Ending net assets	\$ 4,715,195	\$ 4,130,593	\$ 9,952,370	\$ 9,460,780	\$ 14,667,565	\$ 13,591,373

For the fiscal year ended September 30, 2010, government-wide revenues totaled \$7,312,085. Approximately 44% of all revenues are from charges for services, and 25% is from sales tax. See Figures 3 and 4.

**CITY OF RICHMOND, MISSOURI
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010
 (UNAUDITED)**

Figure 3

City of Richmond - Revenue by Fund

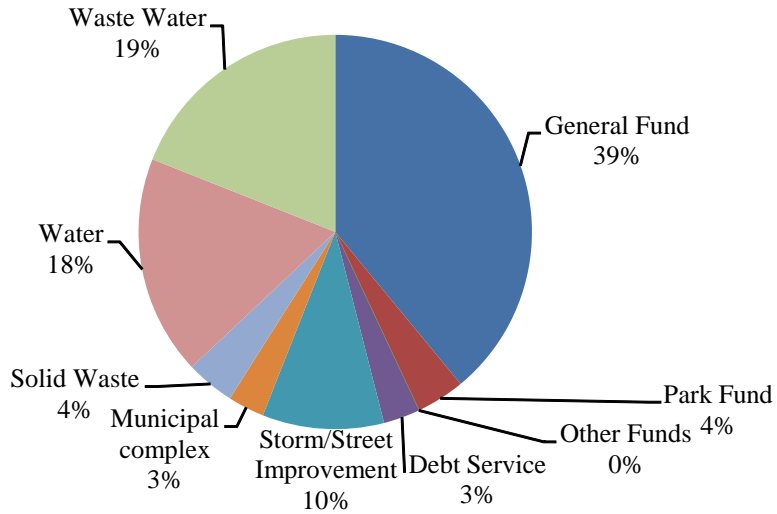
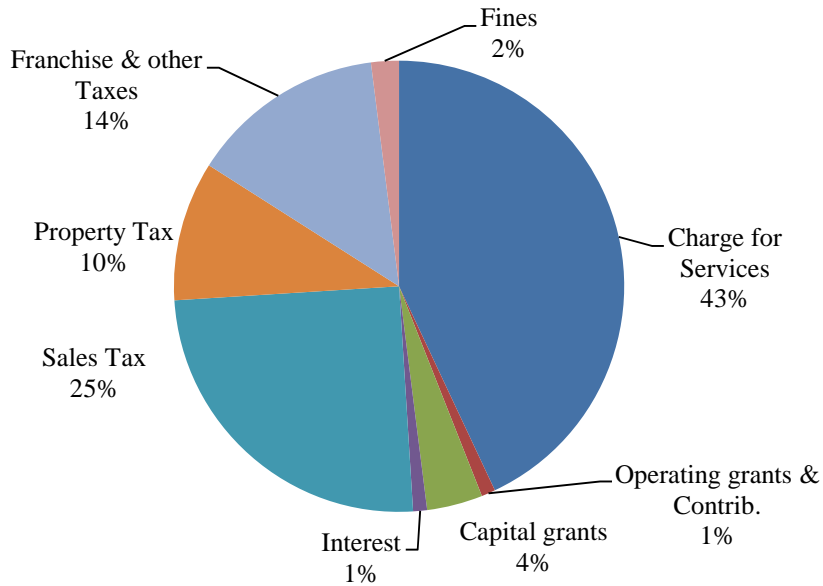


Figure 4

City of Richmond - Revenues by Source



**CITY OF RICHMOND, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010
(UNAUDITED)**

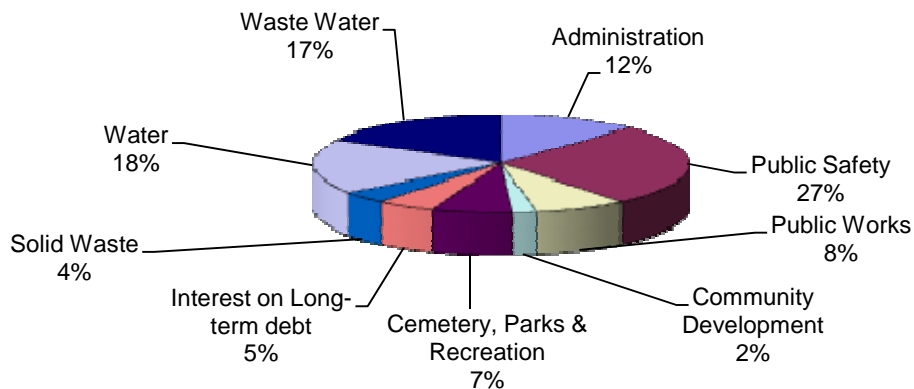
Charges for services are derived from users of the City's programs such as governmental programs and from fees from the users of the City's solid waste, water and wastewater operations.

The next largest revenue source for the entire City is sales tax. During the 2010 fiscal year sales tax revenues were \$1,816,772. The City of Richmond has a 1% sales tax to fund general governmental activities, a .5% sales tax for storm water and street improvements, a .25% sales tax to finance the new municipal complex, and a .25% sales tax for parks. Sales tax activity has remained constant from last fiscal year.

The City's expenses cover a range of services. As shown in Figure 5, approximately 40% of all city expenses during the 2010 fiscal year were related to the three business-type activities, solid waste, water, and wastewater. The second largest expenditure in 2010 was public safety at 27%. Public safety is comprised of the police department, the fire department and dispatch.

Figure 5

City of Richmond - Functional Expenses



Governmental Activities

Governmental activities increased the City's net assets by \$584,602. For the fiscal year ended September 30, 2010, revenues totaled \$7,312,085 (governmental and business-type). Revenues from governmental activities were \$4,331,385 or 59% of the total city revenue.

Certain revenues are generated that are specific to governmental program activities. These totaled \$645,605. Figure 6 shows expenses and program revenues of the governmental activities for the years ended September 30, 2010 and 2009:

**CITY OF RICHMOND, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010
(UNAUDITED)**

Figure 6

Net Cost of City of Richmond's Governmental Activities

	2010			2009		
	Cost of Services	Program Revenue	Net Cost of Service	Cost of Services	Program Revenue	Net Cost of Service
Administration	\$ 634,218	\$ 30,923	\$ 603,295	\$ 539,486	\$ 390,024	\$ 149,462
Public Safety	1,699,582	99,890	1,599,692	1,640,257	124,898	1,515,359
Public Works	479,451	285,621	193,830	600,762	-	600,762
Community Development	144,482	36,996	107,486	127,945	25,952	101,993
Cemetery, Parks & Recreation	463,766	192,175	271,591	486,013	217,262	268,751
Interest on long-term debt	<u>325,284</u>	<u>-</u>	<u>325,284</u>	<u>335,017</u>	<u>-</u>	<u>335,017</u>
Total	<u>\$ 3,746,783</u>	<u>\$ 645,605</u>	<u>\$ 3,101,178</u>	<u>\$ 3,729,480</u>	<u>\$ 758,136</u>	<u>\$ 2,971,344</u>

As noted in Figure 6, expenses from governmental activities totaled \$2,746,783. However, the net costs of these services were \$3,101,178. The difference represents direct revenues from charges for services of \$285,941, and grants and contributions of \$359,664. Taxes and other revenues were collected to cover these net costs.

Business-Type Activities

Business-type activities increased the City's net assets by \$491,590. Key elements of the change in net assets are as follows:

- Solid waste operating revenue increased \$56,724 from the prior year, while operating expenses decreased \$2,920. Last year the solid waste fund net assets decreased \$50,071. This year the solid waste fund net assets increased \$9,415. The increase in the Solid Waste operating revenue was due primarily to a rate increase in October 2010 to avoid continued losses.
- Water operating revenue decreased \$56,623 from the prior year, while operating expenses increased \$51,982. Last year the water fund net assets increased \$279,619. This year the water fund net assets increased \$175,125.
- Wastewater operating revenue increased \$17,703 from the prior year, while operating expenses decreased \$183,145. Last year the wastewater fund net assets increased \$104,029. This year the wastewater fund net assets increased \$307,050. The decrease in Wastewater operating expenses was due to the increase in the fiscal year 2009 operating expenses as a result of the substantial sewer line and manhole rehabilitation. The work was completed in fiscal year 2009, therefore the City did not incur the expense in fiscal year 2010.

Financial Analysis of the City's Funds

The City of Richmond's governmental funds reported combined ending fund balances of \$622,183, an increase of \$166,833 over the prior year. This increase to the fund balance is a result of holding expenses to a minimum during the 2010 fiscal year. The fund balance of the General Fund by itself increased \$11,579 in fiscal year 2010. Last year the General Fund increased \$197,166.

**CITY OF RICHMOND, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010
(UNAUDITED)**

Budgetary Highlights

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

- Total original revenue budget for the General Fund of \$2,805,600 increased to \$2,810,005. The increase was due to the following items:
 - \$7,680 Additional Personal Property Tax Revenue
 - \$825 Additional SUR Tax Revenue
 - \$15,000 Additional Telephone Franchise Tax Revenue
 - \$3,360 Additional Cable TV Tax Revenue
 - (\$21,000) Decrease in School Resource Officer Program Revenue for the Police Department
 - \$21,040 Additional Donations for the Fire Department
 - (\$25,000) Decrease in Park Maintenance & Mowing Revenue for the Recreation Department
 - \$500 Additional Instructional Basketball Revenue for the Recreation Department
 - \$2,000 Additional Concession Revenue for the Recreation Department

- Total original expense budget for the General Fund of \$2,654,727 increased to \$2,807,223. The majority of the increase was due to the following items:
 - \$35,000 Additional Contracted Services (Legal) Expenses for the Administration Department
 - (\$13,795) Decrease in the Transfer from the Administration Department for the Municipal Complex debt payment
 - \$70,000 Additional Contracted Services (Legal) Expense for the Police Department
 - (\$44,050) Decrease in Full Time Salaries Expense for Dispatch
 - (\$18,800) Decrease in Part Time Salaries Expense for Dispatch
 - (\$14,721) Decrease in Health Insurance Expense for Dispatch
 - \$111,090 Additional Contracted Services (911) Expenses for Dispatch
 - \$9,686 Additional Capital Assets (Building and Grounds) Expenses for the Streets Department
 - \$7,500 Additional Full Time Salaries Expenses for the Community Development Department
 - \$9,425 Additional Full Time Salaries Expenses for the Cemetery Department

The actual amounts for the General Fund on the budgetary basis was \$2,817,219 in revenue verses \$2,762,840 in expenses. The net change to the General Fund balance at the end of the year is a decrease of \$3,756.

**CITY OF RICHMOND, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010
(UNAUDITED)**

Capital Assets and Debt Administration

The fiscal year 2010 capital asset activity for governmental activities included the following expenditures:

- Upgrade pool house plumbing
- Completed tennis court improvements
- Completed Southview Park storm water project
- Completed Deer Ridge storm water project
- New shelter/concession/bathroom building at Maurice Roberts Park
- Retaining wall at Maurice Roberts Park
- Signs for the Parks
- Wollard and Thornton Street Overlay
- 2010 Street overlays
- Pierce Arrow fire truck
- John Deere 6201 XUV Gator for the Parks
- Bobcat S185 Skid Loader to be shared with Water and Wastewater
- Three new computers
- Work on the salt barn roof for the Street Department
- Work on the new concession/bathroom building at West Park
- Work on Lexington Street improvements

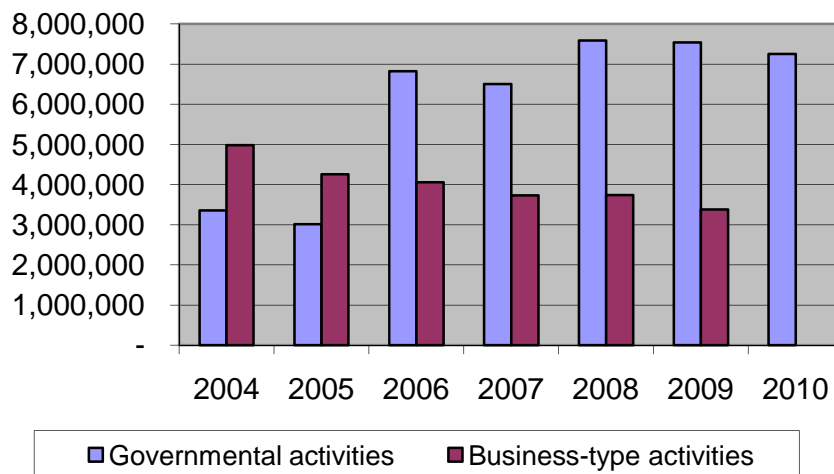
The year's major capital asset activity for business-type activities included the following expenditures:

- Bobcat S185 Skid Loader to be shared with the Street Department
- Completed South Wastewater Plant Stabilization
- Work on South Wastewater Plant improvements

In fiscal year 2010, long-term debt outstanding and other liabilities decreased by \$678,824. Long-term debt for the governmental activities decreased \$293,186. Long-term debt for the business-type activities decreased \$385,638.

Figure 7

City of Richmond Long-Term Debt



**CITY OF RICHMOND, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010
(UNAUDITED)**

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

The South Wastewater Treatment Plant has significant deterioration and the City is planning to upgrade and modernize this Wastewater Treatment Plant (construction estimated to begin June 2012). The citizens approved a \$4,800,000 bond in April 2011. The City will use the \$5,100,000 bond passed in April 2010, the \$4,800,000 bond passed in April 2011, and the City will apply for a \$500,000 CDBG Grant and a \$500,000 Rural Development Grant to pay for the new Wastewater Treatment Plant. The North Wastewater Treatment Plant will be closed and a new lift station will be built at that site.

Waterline replacement, water well, water tower, and water tank testing and rehabilitation, sewer line cleaning and camera projects, and I&I studies continue to be a critical need.

Contacting the City's Financial Management

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

Mike Wright, Mayor
Ron Brohammer, City Administrator
Rebecca Meyer, Finance Director

BASIC FINANCIAL STATEMENTS

CITY OF RICHMOND, MISSOURI
STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30, 2010

	Governmental Activities	Business-type Activities	Total Primary Government
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 777,140	\$ 1,065,154	\$ 1,842,294
Certificates of deposit	95,300	-	95,300
Receivables, net:			
Taxes	365,525	-	365,525
Accounts	2,246	458,367	460,613
Grants	24,124	-	24,124
Accrued interest	-	12,859	12,859
Prepaid expenses	21,342	9,333	30,675
Total current assets	1,285,677	1,545,713	2,831,390
Noncurrent assets:			
Restricted cash and cash equivalents	-	538,178	538,178
Bond issue costs, net	55,673	78,784	134,457
Inventory	67,318	-	67,318
Internal balances	(75,480)	75,480	-
Capital assets, net	11,301,435	11,059,348	22,360,783
Total noncurrent assets	11,348,946	11,751,790	23,100,736
 Total Assets	12,634,623	13,297,503	25,932,126
LIABILITIES			
Current liabilities:			
Accounts payable	126,459	64,105	190,564
Bank overdraft	373,512	-	373,512
Accrued payroll and benefits	81,614	30,112	111,726
Accrued interest	8,460	37,463	45,923
Customer deposits	3,401	178,180	181,581
Total current liabilities	593,446	309,860	903,306
Noncurrent liabilities:			
Due in one year	358,413	375,647	734,060
Due in more than one year	6,967,569	2,659,626	9,627,195
Total noncurrent liabilities	7,325,982	3,035,273	10,361,255
 Total Liabilities	7,919,428	3,345,133	11,264,561
NET ASSETS			
Net assets:			
Invested in capital assets, net of related debt	6,601,126	8,024,075	14,625,201
Restricted for:			
Perpetual care	103,406	-	103,406
Debt service	132,312	538,178	670,490
Unrestricted	(2,121,649)	1,390,117	(731,532)
 Total Net Assets	\$ 4,715,195	\$ 9,952,370	\$ 14,667,565

See accompanying notes to the basic financial statements.

**CITY OF RICHMOND, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
Primary Government:							
Governmental activities:							
Administration	\$ 634,218	\$ 28,328	\$ 2,595	\$ -	\$ (603,295)	\$ -	\$ (603,295)
Public safety	1,699,582	29,249	67,522	3,119	(1,599,692)	-	(1,599,692)
Public works	479,451	-	-	285,621	(193,830)	-	(193,830)
Community development	144,482	36,996	-	-	(107,486)	-	(107,486)
Cemetery, parks and recreation	463,766	191,368	807	-	(271,591)	-	(271,591)
Interest on long-term debt	325,284	-	-	-	(325,284)	-	(325,284)
Total governmental activities	3,746,783	285,941	70,924	288,740	(3,101,178)	-	(3,101,178)
Business-type activities:							
Water	1,149,336	1,284,689	-	-	-	135,353	135,353
Wastewater	1,081,591	1,370,794	-	-	-	289,203	289,203
Solid waste	258,183	267,685	-	-	-	9,502	9,502
Total business-type activities	2,489,110	2,923,168	-	-	-	434,058	434,058
Total primary government	\$ 6,235,893	\$ 3,209,109	\$ 70,924	\$ 288,740	(3,101,178)	434,058	(2,667,120)
General revenues:							
Property tax					704,574	-	704,574
Sales tax					1,816,772	-	1,816,772
Other local taxes					291,821	2,827	294,648
Franchise taxes					734,127	-	734,127
Fines, tickets and fees					139,270	-	139,270
Interest revenue					11,046	61,299	72,345
Loss on disposal of assets					(11,830)	(6,594)	(18,424)
Total general revenues					3,685,780	57,532	3,743,312
Change in net assets					584,602	491,590	1,076,192
Net assets, beginning of year					4,130,593	9,460,780	13,591,373
Net assets, end of year					\$ 4,715,195	\$ 9,952,370	\$ 14,667,565

See accompanying notes to the basic financial statements.

**CITY OF RICHMOND, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2010**

	GENERAL	PARK	1/2 CENT SALES TAX	DEBT SERVICE	MUNICIPAL COMPLEX	OTHER GOVERNMENTAL FUNDS	TOTALS GOVERNMENTAL FUNDS
ASSETS							
Cash and cash equivalents (deficit)	\$ 63,641	\$ 258,384	\$ 291,540	\$ 120,064	\$ -	\$ 43,511	\$ 777,140
Certificate of deposit	-	-	-	-	-	95,300	95,300
Receivables, net:							
Taxes	220,806	36,403	64,050	12,248	32,018	-	365,525
Grants	3,119	-	21,005	-	-	-	24,124
Accounts	2,246	-	-	-	-	-	2,246
Inventory	67,318	-	-	-	-	-	67,318
Prepaid expenses	21,224	118	-	-	-	-	21,342
	<u>378,354</u>	<u>294,905</u>	<u>376,595</u>	<u>132,312</u>	<u>32,018</u>	<u>138,811</u>	<u>1,352,995</u>
Total Assets	<u>\$ 378,354</u>	<u>\$ 294,905</u>	<u>\$ 376,595</u>	<u>\$ 132,312</u>	<u>\$ 32,018</u>	<u>\$ 138,811</u>	<u>\$ 1,352,995</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 33,318	\$ 7,878	\$ 85,040	\$ -	\$ -	\$ 223	\$ 126,459
Bank overdraft	-	-	-	-	373,512	-	373,512
Accrued liabilities	78,636	1,188	1,790	-	-	-	81,614
Payable from restricted assets:							
Municipal court bonds	3,401	-	-	-	-	-	3,401
Deferred revenue	33,460	4,386	20,252	12,248	-	-	70,346
Due to other funds	75,480	-	-	-	-	-	75,480
	<u>224,295</u>	<u>13,452</u>	<u>107,082</u>	<u>12,248</u>	<u>373,512</u>	<u>223</u>	<u>730,812</u>
Total Liabilities	<u>224,295</u>	<u>13,452</u>	<u>107,082</u>	<u>12,248</u>	<u>373,512</u>	<u>223</u>	<u>730,812</u>
Fund balances:							
Reserved for:							
Inventory and prepaids	88,542	-	-	-	-	-	88,542
Perpetual care	-	-	-	-	-	103,406	103,406
Debt service	-	-	-	120,064	-	-	120,064
Unreserved	65,517	281,453	269,513	-	(341,494)	35,182	310,171
	<u>154,059</u>	<u>281,453</u>	<u>269,513</u>	<u>120,064</u>	<u>(341,494)</u>	<u>138,588</u>	<u>622,183</u>
Total Fund Balances	<u>154,059</u>	<u>281,453</u>	<u>269,513</u>	<u>120,064</u>	<u>(341,494)</u>	<u>138,588</u>	<u>622,183</u>
Total Liabilities and Fund Balances	<u>\$ 378,354</u>	<u>\$ 294,905</u>	<u>\$ 376,595</u>	<u>\$ 132,312</u>	<u>\$ 32,018</u>	<u>\$ 138,811</u>	<u>\$ 1,352,995</u>

See accompanying notes to the financial statements.

**CITY OF RICHMOND, MISSOURI
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2010**

Fund Balances - Total Governmental Funds \$ 622,183

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

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

Governmental capital assets	\$ 15,702,663	
Less: accumulated depreciation	<u>(4,401,228)</u>	11,301,435

Certain revenues are not available to pay for current period expenditures and therefore are deferred in the governmental funds.	70,346
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Long-term liabilities are not due and payable in the current period,
and therefore, are not reported as liabilities in the governmental funds.

General obligation bonds	(2,570,000)	
Notes payable	(39,166)	
Lease purchases	<u>(4,645,401)</u>	(7,254,567)

Liabilities for compensated absences are recognized only when paid in the governmental fund statements but are accrued in the government-wide statements.	(71,415)
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Other assets and liabilities not reported at the fund statement level:

Bond issue costs		55,673
Accrued interest		<u>(8,460)</u>

Net Assets of Governmental Activities \$ 4,715,195

CITY OF RICHMOND, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	GENERAL	PARK	1/2 CENT SALES TAX	DEBT SERVICE	MUNICIPAL COMPLEX	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:							
Sales tax	\$ 935,498	\$ 219,936	\$ 441,382	\$ -	\$ 219,956	\$ -	\$ 1,816,772
Property tax	366,949	87,036	-	244,676	-	-	698,661
Franchise tax	732,162	-	-	-	-	-	732,162
Intergovernmental	15,525	-	-	-	-	-	15,525
Licenses and permits	53,421	-	-	-	-	-	53,421
Other local taxes	291,821	-	-	-	-	-	291,821
Fines, tickets and fees	132,095	-	-	-	-	7,175	139,270
Charges for services	205,326	2,222	-	-	-	1,031	208,579
Grants	28,108	-	265,369	-	-	-	293,477
Interest revenue	7,064	544	574	368	-	2,496	11,046
Miscellaneous	51,212	19	-	-	-	-	51,231
Total Revenues	2,819,181	309,757	707,325	245,044	219,956	10,702	4,311,965
EXPENDITURES:							
Administration	366,299	-	-	-	-	-	366,299
Public safety	1,572,308	-	-	-	-	5,490	1,577,798
Public works	270,095	-	156,903	-	-	-	426,998
Community development	140,244	-	-	-	-	-	140,244
Cemetery, parks and recreation	304,993	117,274	-	-	-	35	422,302
Capital outlay	43,320	66,195	490,885	-	-	-	600,400
Debt service:							
Principal	48,857	42,716	-	115,000	82,011	-	288,584
Interest and fees	3,351	7,385	-	116,051	195,720	-	322,507
Total Expenditures	2,749,467	233,570	647,788	231,051	277,731	5,525	4,145,132
Excess (deficiency) of revenues over expenditures	69,714	76,187	59,537	13,993	(57,775)	5,177	166,833
Other financing sources (uses):							
Transfer in	-	-	-	-	58,135	-	58,135
Transfer out	(58,135)	-	-	-	-	-	(58,135)
Total other financing sources (uses)	(58,135)	-	-	-	58,135	-	-
Net change in fund balances	11,579	76,187	59,537	13,993	360	5,177	166,833
Fund balance, beginning of year	142,480	205,266	209,976	106,071	(341,854)	133,411	455,350
Fund balance, end of year	\$ 154,059	\$ 281,453	\$ 269,513	\$ 120,064	\$ (341,494)	\$ 138,588	\$ 622,183

See accompanying notes to the basic financial statements.

CITY OF RICHMOND, MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
OF GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Net Change in Fund Balances - Total Governmental Funds \$ 166,833

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	600,401	
Depreciation expense	(492,463)	107,938

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

Loss on the disposal of capital assets	(11,830)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets.

Principal payments	288,483
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Revenues in the Statement of Activities that do not provide current financial resources are reported as deferred revenue in the governmental funds.

Property taxes	5,915	
Franchise taxes	1,965	
Grants	23,372	31,252

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

Amortization of bond issuance costs	(4,124)	
Accrued interest	1,347	
Compensated absences payable	4,703	1,926

Change in Net Assets of Governmental Activities \$ 584,602

CITY OF RICHMOND, MISSOURI
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2010

ASSETS	<u>WATER</u>	<u>WASTEWATER</u>	<u>SOLID WASTE</u>	<u>TOTALS</u>
Current assets:				
Cash and cash equivalents	\$ 418,422	\$ 646,529	\$ 203	\$ 1,065,154
Receivables, net	204,745	215,850	37,772	458,367
Accrued interest	9,123	3,736	-	12,859
Prepaid expenses	<u>5,359</u>	<u>3,930</u>	<u>44</u>	<u>9,333</u>
Total current assets	637,649	870,045	38,019	1,545,713
Noncurrent assets:				
Restricted cash and cash equivalents	434,166	104,012	-	538,178
Bond issue costs, net	55,747	23,037	-	78,784
Due from other funds	5,480	70,000	-	75,480
Capital assets, net	<u>4,418,499</u>	<u>6,622,036</u>	<u>18,813</u>	<u>11,059,348</u>
Total noncurrent assets	<u>4,913,892</u>	<u>6,819,085</u>	<u>18,813</u>	<u>11,751,790</u>
Total assets	<u>\$ 5,551,541</u>	<u>\$ 7,689,130</u>	<u>\$ 56,832</u>	<u>\$ 13,297,503</u>
 LIABILITIES AND NET ASSETS				
Current liabilities:				
Current portion of long-term debt	\$ 188,371	\$ 149,552	\$ -	\$ 337,923
Accounts payable	27,670	21,172	15,263	64,105
Customer deposits payable	178,180	-	-	178,180
Accrued interest	26,189	11,274	-	37,463
Accrued liabilities:				
Payroll and benefits	15,733	14,190	189	30,112
Compensated absences	<u>19,603</u>	<u>18,121</u>	<u>-</u>	<u>37,724</u>
Total current liabilities	455,746	214,309	15,452	685,507
Noncurrent liabilities:				
Notes payable	9,852	9,774	-	19,626
Bonds payable	<u>2,050,000</u>	<u>590,000</u>	<u>-</u>	<u>2,640,000</u>
Total noncurrent liabilities	<u>2,059,852</u>	<u>599,774</u>	<u>-</u>	<u>2,659,626</u>
Total liabilities	2,515,598	814,083	15,452	3,345,133
Net Assets:				
Invested in capital assets, net of related debt	2,170,276	5,872,710	18,813	8,061,799
Restricted for debt service	434,166	104,012	-	538,178
Unrestricted	<u>431,501</u>	<u>898,325</u>	<u>22,567</u>	<u>1,352,393</u>
Total net assets	<u>3,035,943</u>	<u>6,875,047</u>	<u>41,380</u>	<u>9,952,370</u>
Total liabilities and net assets	<u>\$ 5,551,541</u>	<u>\$ 7,689,130</u>	<u>\$ 56,832</u>	<u>\$ 13,297,503</u>

See accompanying notes to the basic financial statements.

CITY OF RICHMOND, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>WATER</u>	<u>WASTEWATER</u>	<u>SOLID WASTE</u>	<u>TOTALS</u>
Operating revenues:				
Charges for services	\$ 1,284,689	\$ 1,370,794	\$ 267,685	\$ 2,923,168
Operating expenses:				
Personnel services	429,493	407,335	40,453	877,281
Contractual services	201,226	309,467	202,884	713,577
Materials and supplies	185,295	34,882	11,195	231,372
Depreciation and amortization	214,551	275,706	3,601	493,858
Other operating expenses	<u>948</u>	<u>7,019</u>	<u>50</u>	<u>8,017</u>
Total operating expenses	<u>1,031,513</u>	<u>1,034,409</u>	<u>258,183</u>	<u>2,324,105</u>
Operating income	253,176	336,385	9,502	599,063
Nonoperating revenues (expenses):				
Interest income	40,429	20,863	7	61,299
Interest expense and fees	(117,823)	(47,182)	-	(165,005)
Loss on disposal of assets	(3,250)	(3,250)	(94)	(6,594)
Other revenue	<u>2,593</u>	<u>234</u>	<u>-</u>	<u>2,827</u>
Total nonoperating revenues (expenses)	<u>(78,051)</u>	<u>(29,335)</u>	<u>(87)</u>	<u>(107,473)</u>
Income	175,125	307,050	9,415	491,590
Net assets, beginning of year	<u>2,860,818</u>	<u>6,567,997</u>	<u>31,965</u>	<u>9,460,780</u>
Net assets, end of year	<u>\$ 3,035,943</u>	<u>\$ 6,875,047</u>	<u>\$ 41,380</u>	<u>\$ 9,952,370</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, 2010

	ENTERPRISE FUNDS			TOTALS
	WATER	WASTEWATER	SOLID WASTE	
Cash flows from operating activities:				
Cash receipts from customers	\$ 1,267,837	\$ 1,342,017	\$ 262,751	\$ 2,872,605
Cash payments to suppliers	(379,305)	(484,184)	(214,907)	(1,078,396)
Cash paid to employees	(427,378)	(414,853)	(40,300)	(882,531)
Net cash provided by operating activities	461,154	442,980	7,544	911,678
Cash flows from noncapital financing activities:				
Repayment of loan to other fund	10,002	-	-	10,002
Loan to other fund	-	(70,000)	-	(70,000)
Net cash used by noncapital financing activities	10,002	(70,000)	-	(59,998)
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(2,299)	(136,350)	-	(138,649)
Principal paid on revenue bonds	(181,600)	(156,400)	-	(338,000)
Principal paid on notes payable	(20,228)	(26,672)	-	(46,900)
Interest and fees paid on debt	(119,756)	(49,492)	-	(169,248)
Net cash used in capital and related financing activities	(323,883)	(368,914)	-	(692,797)
Cash flows from investing activities:				
Interest received on cash accounts	41,029	21,130	7	62,166
Other receipts	2,593	234	-	2,827
Net cash provided by investing activities	43,622	21,364	7	64,993
Net increase in cash and cash equivalents	190,895	25,430	7,551	223,876
Cash and cash equivalents, beginning of year	661,693	725,111	(7,348)	1,379,456
Cash and cash equivalents, end of year	<u>\$ 852,588</u>	<u>\$ 750,541</u>	<u>\$ 203</u>	<u>\$ 1,603,332</u>
Cash and cash equivalents	\$ 418,422	\$ 646,529	\$ 203	\$ 1,065,154
Restricted cash and cash equivalents	434,166	104,012	-	538,178
Cash and cash equivalents, end of year	<u>\$ 852,588</u>	<u>\$ 750,541</u>	<u>\$ 203</u>	<u>\$ 1,603,332</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 253,176	\$ 336,385	\$ 9,502	\$ 599,063
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	214,551	275,706	3,601	493,858
Changes in assets and liabilities:				
(Increase) decrease in receivables	(16,852)	(28,777)	(4,934)	(50,563)
(Increase) decrease in prepaid expenses	(374)	2,246	(44)	1,828
Increase (decrease) in accounts payable	2,521	(135,062)	(734)	(133,275)
Increase (decrease) in compensated absences	(109)	(629)	153	(585)
Increase (decrease) in payroll and benefits	2,224	(6,889)	-	(4,665)
Increase (decrease) in customer deposits payable	6,017	-	-	6,017
Net cash provided by operating activities	<u>\$ 461,154</u>	<u>\$ 442,980</u>	<u>\$ 7,544</u>	<u>\$ 911,678</u>

See accompanying notes to the basic financial statements.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Richmond, Missouri (the City) was incorporated in 1821 and covers an area of seven square miles in Ray County, Missouri. The City is organized as a third class city under the Revised Statutes of Missouri and operates under a Council-Mayor/City Administrator form of government and provides such services as are authorized by its charter to advance the health, welfare, comfort, safety and convenience of its inhabitants.

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

Financial Reporting Entity: The financial statements of the City include all government organizations for which the City is financially accountable. GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which amended GASB Statement No. 14, provides specific criteria which must be met in order for an organization to be included in the City's financial statements. Based on the City's evaluation of support provided during the year by other organizations, there were no organizations required to be included in the financial statements.

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

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

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

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

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:

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 part sales tax. Included in this fund are expenditures for park improvements.

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

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

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

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.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide Financial Statements

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

Governmental Fund Financial Statements

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

Revenue Recognition

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

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.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Fund Financial Statements

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

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

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

Restricted Net Assets: These assets consist of cash and escrowed funds held in trust. They are restricted as to use for debt service and bond reserves as provided by bonding resolutions.

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

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

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.

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.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

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

Capital assets are defined by the City as assets with an initial, individual cost of \$1,000 or more and an estimated useful life of greater than one year. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

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

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

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

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

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

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

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

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

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Due to/from Other Funds: Temporary reallocations (i.e. loans) from one fund of the reporting entity to another are classified as due/to other funds. For the purposes of the Statement of Net Assets, all due/to from balances between governmental funds have been eliminated.

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

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

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

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

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

NOTE B - CASH AND INVESTMENTS

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

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, 2010, the carrying amount of the City’s deposits was \$2,102,260 and the bank balance was \$2,136,574. Of the bank balance, \$2,136,574 was covered by federal depository insurance and collateral 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, 2010.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE B - CASH AND CASH EQUIVALENTS (concluded)

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

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

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

Concentration of credit risk - Concentration of credit risk is the risk loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy places no limit on the amount the City may invest in any one issuer.

Certificates of Deposit: Certificates of Deposit with original maturities in excess of three months are reported separately and were covered by FDIC insurance.

NOTE C - RESTRICTED ASSETS

Cash and cash equivalents are restricted for the following purposes:

Proprietary Funds	
Water fund:	
Customer deposits	\$ 178,180
2002 Bond reserve	110,286
Series 2001 Water Bonds	
Principal retirement	127,500
Interest retirement	18,200
	434,166
Wastewater fund:	
1992 Bond reserve	8,414
2002 Bond reserve	4,611
Series 1992 Sewer Bond:	
Principal account	82,500
Interest account	3,903
Debt service account	4,584
	104,012
Total Proprietary Funds	\$ 538,178

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE D - UTILITIES RECEIVABLES

Utilities receivable represent user-based charges for services provided to the City's customers. Net receivables at September 30, 2010 were as follows:

	Total Receivables	Allowance	Net Receivables
Business-type activities:			
Major enterprise funds:			
Water	\$ 207,545	\$ 2,800	\$ 204,745
Wastewater	219,337	3,487	215,850
Solid waste	38,372	600	37,772
Total	\$ 465,254	\$ 6,887	\$ 458,367

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, 2009, on which the fiscal year ended September 30, 2010 levy was based, was \$56,140,232.

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:

Fund	Levy
General	\$ 0.6093
Park	0.1523
Debt Service	0.4253
Total	\$ 1.1869

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, 2010 were as follows:

	General Fund	Park Fund	1/2 Cent Sales Tax Fund	Debt Service Fund	Municipal Complex Fund	Other Nonmajor Funds	Total
Property tax	\$ 17,547	\$ 4,386	\$ -	\$ 12,248	\$ -	\$ -	\$ 34,181
Sales tax	133,844	32,017	64,050	-	32,018	-	261,929
Franchise taxes	69,415	-	-	-	-	-	69,415
	\$ 220,806	\$ 36,403	\$ 64,050	\$ 12,248	\$ 32,018	\$ -	\$ 365,525

**CITY OF RICHMOND, MISSOURI
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2010**

NOTE F - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at September 30, 2010 were as follows:

	Due From	Due To
General Fund	\$ -	\$ 75,480
Water Fund	5,480	-
Wastewater Fund	70,000	-
Total	\$ 75,480	\$ 75,480

The interfund balance between the General Fund and the Water Fund is the remaining loan that was made in prior years for the purchase of the City cemetery.

The interfund balance between the General Fund and the Wastewater Fund is a short term loan where the General Fund borrowed funds from the Wastewater Fund. The amount will be paid in full in one year.

NOTE G - 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 H - 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.

Construction Commitment

The City has entered into a construction contract for storm sewer improvements to Lexington Street. As of September 30, 2010, the City was committed to \$163,420 of remaining construction costs.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE I - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended September 30, 2010.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassification</u>	<u>Ending Balance</u>
Governmental activities				
Nondepreciable assets:				
Land and land rights	\$ 345,250	\$ -	\$ -	\$ 345,250
Construction in progress	183,129	102,259	209,134	76,254
Total capital assets, not being depreciated	<u>528,379</u>	<u>102,259</u>	<u>209,134</u>	<u>421,504</u>
Depreciable capital assets:				
Building and improvements	10,517,077	672,867	15,855	11,174,089
Vehicles	697,841	15,000	-	712,841
Equipment	2,866,062	16,574	1,200	2,881,436
Information systems	395,471	2,835	-	398,306
Office furniture and fixtures	122,243	-	7,756	114,487
Total capital assets being depreciated	<u>14,598,694</u>	<u>707,276</u>	<u>24,811</u>	<u>15,281,159</u>
Less accumulated depreciations:				
Building and improvements	702,206	260,594	4,845	957,955
Vehicles	592,627	66,338	-	658,965
Equipment	2,282,673	102,264	380	2,384,557
Information systems	274,227	48,957	-	323,184
Office furniture and fixtures	70,013	14,310	7,756	76,567
Total accumulated depreciation	<u>3,921,746</u>	<u>492,463</u>	<u>12,981</u>	<u>4,401,228</u>
Total capital assets being depreciated, net	<u>10,676,948</u>	<u>214,813</u>	<u>11,830</u>	<u>10,879,931</u>
Governmental activities capital assets, net	<u>\$ 11,205,327</u>	<u>\$ 317,072</u>	<u>\$ 220,964</u>	<u>\$ 11,301,435</u>

Depreciation expense was charged to functions as follows:

Administration	\$ 230,386
Public safety	124,618
Public works	52,462
Community development	4,238
Cemetery, parks and recreation	80,759
	<u>\$ 492,463</u>

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE I - CAPITAL ASSETS (concluded)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassification</u>	<u>Ending Balance</u>
Business-type activities:				
Nondepreciable assets:				
Land and land rights	\$ 105,266	\$ -	\$ -	\$ 105,266
Construction in progress	38,387	30,000	18,387	50,000
Total capital assets, not being depreciated	<u>143,653</u>	<u>30,000</u>	<u>18,387</u>	<u>155,266</u>
Depreciable capital assets:				
Building and improvements	47,178	-	8,410	38,768
Vehicles	505,278	-	-	505,278
Equipment	320,832	4,598	295	325,135
Information systems	33,407	-	-	33,407
Office furniture and fixtures	14,992	-	14,992	-
Treatment facility	4,695,610	122,438	-	4,818,048
Production and transmission system	11,275,134	-	-	11,275,134
Total capital assets being depreciated	<u>16,892,431</u>	<u>127,036</u>	<u>23,697</u>	<u>16,995,770</u>
Less accumulated depreciations:				
Building and improvements	35,609	239	3,371	32,477
Vehicles	402,349	55,362	-	457,711
Equipment	209,555	24,782	202	234,135
Information systems	32,124	293	-	32,417
Office furniture and fixtures	13,530	-	13,530	-
Treatment facility	2,670,652	122,026	-	2,792,678
Production and transmission system	2,264,541	277,729	-	2,542,270
Total accumulated depreciation	<u>5,628,360</u>	<u>480,431</u>	<u>17,103</u>	<u>6,091,688</u>
Total capital assets being depreciated, net	<u>11,264,071</u>	<u>(353,395)</u>	<u>6,594</u>	<u>10,904,082</u>
Business-type activities capital assets, net	<u>\$ 11,407,724</u>	<u>\$ (323,395)</u>	<u>\$ 24,981</u>	<u>\$ 11,059,348</u>

Depreciation expense was charged to functions as follows:

Water	\$ 208,285
Wasterwater	268,545
Solid waste	<u>3,601</u>
	<u>\$ 480,431</u>

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE J - RETIREMENT PLAN

A. Plan Description

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

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

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

B. Funding Status

Full-time employees of the City of Richmond do not contribute to the pension plan. The June 30th statutorily required contribution rates are 8.3% (General), 11.9% (Police) and 9.4% (Fire) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

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

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

Annual required contribution	\$	172,562
Interest on net pension obligation		-
Adjustment to annual required pension		-
Annual pension cost		172,562
Actual contributions		172,562
Increase (decrease) in NPO		-
NPO beginning of year		-
NPO end of year	\$	-

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE J - RETIREMENT PLAN (concluded)

The annual required contribution (ARC) was determined as part of the February 28, 2007 and February 29, 2008 annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually, (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post retirement mortality based on the 1971 Group Annuity Mortality table for males projected to 2000 set back 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The amortization period as of February 28, 2007 was 23 years for the General division, 23 years for the Police division and 23 years for the Fire division. The amortization period as of February 29, 2008 was 22 years for the General division, 22 years for the Police division and 22 years for the Fire division.

Three-Year Trend Information			
Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	\$ 192,776	100%	\$ -
2009	186,258	100%	-
2010	\$ 172,562	100%	\$ -

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Liability	(b-a) Unfunded Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2008	\$ 1,830,873	\$ 2,106,985	\$ 276,112	87%	\$ 1,958,075	14%
2/28/2009	1,672,388	2,250,553	578,165	74%	1,918,845	30%
2/28/2010	\$ 1,699,168	\$ 2,257,867	\$ 559,699	75%	\$ 1,842,203	30%

NOTE: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2006 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE K - LONG-TERM DEBT

Changes in long-term debt during the year ended September 30, 2010 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amount due within one year</u>
Governmental Activities					
General obligation bonds	\$ 2,685,000	\$ -	\$ 115,000	\$ 2,570,000	\$ 125,000
Notes payable	87,923	-	48,757	39,166	28,813
Lease purchases	4,770,127	-	124,726	4,645,401	133,195
Compensated absences	<u>76,118</u>	<u>-</u>	<u>4,703</u>	<u>71,415</u>	<u>71,415</u>
Total Governmental Activities	<u>\$ 7,619,168</u>	<u>\$ -</u>	<u>\$ 293,186</u>	<u>\$ 7,325,982</u>	<u>\$ 358,423</u>
Business-Type Activities					
Waterworks & Sewer Bonds	\$ 3,278,000	\$ -	\$ 338,000	\$ 2,940,000	\$ 300,000
Notes Payable	104,449	-	46,900	57,549	37,635
Compensated Absences	<u>38,462</u>	<u>-</u>	<u>738</u>	<u>37,724</u>	<u>37,724</u>
Total Business-Type Activities	<u>\$ 3,420,911</u>	<u>\$ -</u>	<u>\$ 385,638</u>	<u>\$ 3,035,273</u>	<u>\$ 375,359</u>

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

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE K - LONG-TERM DEBT (continued)

Governmental activities long-term debt consists of the following:

General obligation bonds:

Series 2004 B General Obligation Bonds due in varying annual installments through March 1, 2024, interest of 3.625% to 4.500%.	<u>\$ 2,570,000</u>
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Notes payable:

Note payable to bank due in varying installments of \$640 through December 5, 2011, interest at 4.50%, secured by two trucks	\$ 5,297
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Note payable to bank due in varying monthly installments of \$492 through December 15, 2010, interest at 4.50%, secured by a truck	1,467
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Note payable to bank due in varying monthly installments of \$1,213 through October 19, 2010, interest at 4.00%, secured by a dump truck	1,212
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Note payable to bank due in varying monthly installments of \$347 through October 13, 2010, interest at 4.00%, secured by a truck	347
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Note payable to bank due in annual installments of \$19,397 through May 24, 2011, interest at 4.75%, secured by construction equipment	18,514
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Note payable to finance company due in annual installments of \$3,898 through November 22, 2013, interest at 8.25%, secured by equipment	<u>12,329</u>
	<u>\$ 39,166</u>

Lease purchases:

Lease purchase for municipal complex with bank, due in monthly installments of \$23,144 through July 1, 2015, interest at 4.25%.	\$ 4,497,306
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Lease purchase for park improvement with bank, due in monthly installments of \$4,175 through November 1, 2013, interest at 4.25%	<u>148,095</u>
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	<u>\$ 4,645,401</u>
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CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE K - LONG-TERM DEBT (continued)

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

Revenue bonds:

Series 1992 A State Environmental Improvement and Energy Resources Authority Water Pollution Control Revenue Bonds due in varying annual installments through January 2013, interest of 6.45% to 6.55%	\$ 350,000
Series 2001 A State Environmental Improvement and Energy Resources Authority Water Pollution Control Revenue Bonds due in varying annual installments through January 2021, interest of 4.00% to 5.00%	2,220,000
Series 2004 A Waterworks & Sewerage Revenue Bonds, due in varying annual installments through June 2023, interest of 3.375% to 5.00%	<u>370,000</u>
	<u><u>\$ 2,940,000</u></u>

Notes payable:

Note payable to bank, due in monthly installments of \$640 through December 5, 2011, interest at 4.50%, secured by two trucks	\$ 4,018
Note payable to bank, due in monthly installments of \$544 through November 10, 2010 interest at 4.25%, secured by a truck	1,103
Note payable to bank, due in annual installments of \$29,096 through May 25, 2011, interest at 4.75%, secured by construction equipment	27,770
Note payable to finance company, due in annual installments of \$7,913 through November 22, 2013, interest at 8.25%, secured by equipment	<u>24,658</u>
	<u><u>\$ 57,549</u></u>

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE K - LONG-TERM DEBT (continued)

Debt service requirements to maturity are:

Governmental Activities								
Year Ending	G.O. Bonds		Notes Payable		Lease Purchases		Total	
September 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 125,000	\$ 111,251	\$ 28,803	\$ 2,091	\$ 133,195	\$ 194,636	\$ 286,998	\$ 307,978
2012	130,000	106,645	4,096	833	138,994	188,837	273,090	296,315
2013	140,000	101,680	3,326	571	145,045	182,785	288,371	285,036
2014	145,000	96,246	2,941	297	108,966	177,148	256,907	273,691
2015	155,000	90,336	-	-	4,119,201	141,358	4,274,201	231,694
2016-2020	920,000	342,038	-	-	-	-	920,000	342,038
2021-2025	955,000	98,200	-	-	-	-	955,000	98,200
Total	\$ 2,570,000	\$ 946,396	\$ 39,166	\$ 3,792	\$ 4,645,401	\$ 884,764	\$ 7,254,567	\$ 1,834,952

Business-Type Activities						
Year Ending	Revenue Bonds		Notes Payable		Total	
September 30,	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 300,000	\$ 137,109	\$ 37,635	\$ 2,265	\$ 337,635	\$ 139,374
2012	315,000	121,690	7,416	1,570	322,416	123,260
2013	330,000	105,111	6,843	1,036	336,843	106,147
2014	210,000	91,855	5,655	469	215,655	92,324
2015	220,000	82,110	-	-	220,000	82,110
2016-2020	1,220,000	244,250	-	-	1,220,000	244,250
2021-2025	345,000	16,500	-	-	345,000	16,500
Total	\$ 2,940,000	\$ 798,625	\$ 57,549	\$ 5,340	\$ 2,997,549	\$ 803,965

Revolving Loan Fund

In accordance with the agreement between various public entities (including the City of Richmond) and the State Environmental Improvement and Energy Resources Authority (the Authority), the City issued the Series 1992A and 2001A revenue bonds. In connection with the City's issuance of these revenue bonds, the City participates in a revolving loan program established by the Department of Natural Resources (DNR). The revolving fund, which consists of 83.33% federal dollars and 16.67% state dollars, is designed to serve as a guarantee for local municipalities' sewer revenue bond financing. The State of Missouri manages and invests the bond proceeds on behalf of the City. As the City incurs approved capital expenditures, DNR reimburses the City for the expenditure from the bond proceeds account and deposits an additional 50% of the expenditure amount in a Bond Reserve Fund in the City's name and is held as a guarantee against the debt. Interest earned from this reserve fund can be used by the City to fund interest payment on the revenue bonds. For the year ended September 30, 2010, interest earnings from the 1992A and 2001A reserve funds totaled \$48,279. The reserve fund is transferred back to the State as bond issues are retired. The costs of operation and maintenance of the system and debt service is payable from Wastewater and Water Fund operating revenues.

CITY OF RICHMOND, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE K - LONG-TERM DEBT (concluded)

Notes payable

At September 30, 2010 the City had promissory note obligations outstanding, all of which were used to purchase vehicles and equipment for various city departments. For those notes recorded in the governmental fund, the City records the present value of the note obligation as capital outlay expenditure and as an offsetting other financing source in the year that the asset is purchased. At the government-wide level, the present value of payments due in future periods, along with the net carrying value of the related capital assets, are recorded as liabilities and assets, respectively, in the governmental activities column of the Statement of Net Assets. For those notes recorded in proprietary funds, the City records the present value of the future debt payments as a liability and the related capital item as an asset of the fund.

Lease purchases

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

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

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Buildings and equipment	\$ 3,780,054
Less: Accumulated depreciation	<u>(147,167)</u>
Total	<u><u>\$ 3,632,887</u></u>

NOTE L – SUBSEQUENT EVENTS

The City was involved in litigation as of our audit field work date.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RICHMOND, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		(NEGATIVE)
REVENUES:				
Sales tax	\$ 974,850	\$ 974,850	\$ 935,498	\$ (39,352)
Property tax	358,800	367,305	356,666	(10,639)
Franchise tax	668,000	686,360	732,162	45,802
Intergovernmental	44,700	15,300	15,525	225
Licenses and permits	43,400	43,400	53,421	10,021
Other local taxes	279,000	279,000	291,821	12,821
Fines, tickets and fees	147,200	145,900	132,095	(13,805)
Charges for services	234,080	212,580	205,326	(7,254)
Grants	-	32,700	38,675	5,975
Interest revenue	6,000	6,000	7,064	1,064
Miscellaneous	49,570	46,610	48,966	2,356
Total Revenues	<u>2,805,600</u>	<u>2,810,005</u>	<u>2,817,219</u>	<u>7,214</u>
EXPENDITURES:				
Administration	347,013	390,363	379,672	10,691
Public safety	1,513,510	1,575,560	1,572,308	3,252
Public works	260,160	272,100	270,095	2,005
Community development	134,970	136,970	140,244	(3,274)
Cemetery, parks and recreation	333,798	327,908	304,993	22,915
Capital outlay	12,500	52,046	43,320	8,726
Debt service:				
Principal	47,360	48,863	48,857	6
Interest and fees	5,416	3,413	3,351	62
Total Expenditures	<u>2,654,727</u>	<u>2,807,223</u>	<u>2,762,840</u>	<u>44,383</u>
Other financing sources (uses):				
Debt proceeds	-	-	-	-
Transfer out	(71,731)	(58,135)	(58,135)	-
Total other financings sources (uses)	<u>(71,731)</u>	<u>(58,135)</u>	<u>(58,135)</u>	<u>-</u>
Net change in fund balance	<u>\$ 79,142</u>	<u>\$ (55,353)</u>	<u>(3,756)</u>	<u>\$ 51,597</u>
Fund balance, beginning of year - budgetary basis			<u>77,057</u>	
Fund balance, end of year - budgetary basis			73,301	
GAAP adjustments:				
Receivables:				
Taxes			190,466	
Accounts payable			2,246	
Accrued payroll and benefits			(33,318)	
			<u>(78,636)</u>	
Fund balances, end of year - GAAP basis			<u>\$ 154,059</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, 2010**

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		(NEGATIVE)
REVENUES:				
Sales tax	\$ 180,000	\$ 180,000	\$ 218,664	\$ 38,664
Property tax	85,200	85,200	87,036	1,836
Charges for services	1,500	1,500	2,222	722
Interest revenue	500	500	544	44
Miscellaneous	-	-	19	19
Total Revenues	267,200	267,200	308,485	41,285
EXPENDITURES:				
Cemetery, parks and recreation	97,540	98,340	109,106	(10,766)
Capital outlay	90,000	90,000	66,195	23,805
Debt service:				
Principal	41,280	42,716	42,716	-
Interest and fees	8,820	7,384	7,385	(1)
Total Expenditures	237,640	238,440	225,402	13,038
Excess (deficiency) if revenues over expenditures	\$ 29,560	\$ 28,760	83,083	\$ 28,247
Fund balance, beginning of year - budgetary basis			170,915	
Fund balance, end of year - budgetary basis			253,998	
GAAP adjustments:				
Receivables:				
Taxes			36,521	
Accounts payable			(7,878)	
Accrued payroll and benefits			(1,188)	
Fund balances, end of year - GAAP basis			\$ 281,453	

See accompanying notes to the required supplementary information.

CITY OF RICHMOND, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - 1/2 CENT SALES TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		(NEGATIVE)
REVENUES:				
Sales tax	\$ 426,000	\$ 426,000	\$ 440,671	\$ 14,671
Grant revenue	303,934	303,934	264,616	(39,318)
Interest revenue	175	175	574	399
 Total Revenues	 730,109	 730,109	 705,861	 (24,248)
EXPENDITURES:				
Public works	-	-	71,930	(71,930)
Capital outlay	591,700	761,700	490,885	270,815
 Total Expenditures	 591,700	 761,700	 562,815	 198,885
Excess (deficiency) of revenues over expenditures	\$ 138,409	\$ (31,591)	143,046	\$ 174,637
Fund balance, beginning of year - budgetary basis			148,494	
Fund balance, end of year - budgetary basis			291,540	
GAAP adjustments:				
Receivables:				
Taxes			64,050	
Grants			753	
Accounts payable			(85,040)	
Accrued payroll and benefits			(1,790)	
Fund balances, end of year - GAAP basis			\$ 269,513	

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, 2010

	BUDGET		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE (NEGATIVE)
REVENUES:				
Sales tax	\$ 206,000	\$ 206,000	\$ 219,595	\$ 13,595
Interest revenue	-	-	-	-
Total Revenues	206,000	206,000	219,595	13,595
EXPENDITURES:				
Capital outlay	-	-	2,888	(2,888)
Debt service:				
Principal	84,000	82,011	82,011	-
Interest and fees	193,731	195,720	195,720	-
Total Expenditures	277,731	277,731	280,619	(2,888)
Excess (deficiency) of revenues over expenditures	(71,731)	(71,731)	(61,024)	10,707
Other financing sources:				
Transfer in	71,731	71,731	58,135	(13,596)
Net change in fund balance	\$ -	\$ -	(2,889)	\$ (2,889)
Fund balance, beginning of year - budgetary basis			(370,623)	
Fund balance, end of year - budgetary basis			(373,512)	
GAAP adjustments:				
Receivables:				
Taxes			32,018	
Fund balances, end of year - GAAP basis			\$ (341,494)	

See accompanying notes to the required supplementary information.

CITY OF RICHMOND, MISSOURI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2010

Budgetary Process

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

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

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

Budget Compliance

For the year ended September 30, 2010, the Municipal Complex Fund expenditures of \$280,619 exceeded the budgeted expenditures of \$277,731 by \$2,888.

CITY OF RICHMOND, MISSOURI
SCHEDULE OF FUNDING PROGRESS – RETIREMENT PLAN
SEPTEMBER 30, 2010

Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2008	\$ 1,830,873	\$ 2,106,985	\$ 276,112	87%	\$ 1,958,075	14%
2/29/2009	1,672,388	2,250,553	578,165	74%	1,918,845	30%
2/28/2010	\$ 1,699,168	\$ 2,257,867	\$ 559,699	75%	\$ 1,842,203	30%

NOTE: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2006 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

SUPPLEMENTARY INFORMATION

CITY OF RICHMOND, MISSOURI
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2010

	SPECIAL REVENUE FUND	PERMANENT FUND	TOTAL OTHER
	POLICE TRAINING	CEMETERY TRUST	GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	\$ 35,405	\$ 8,106	\$ 43,511
Certificates of deposit	-	95,300	95,300
 Total Assets	 \$ 35,405	 \$ 103,406	 \$ 138,811
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 223	\$ -	\$ 223
Fund balances:			
Reserved for:			
Perpetual care	-	103,406	103,406
Unreserved	35,182	-	35,182
 Total Fund Balances	 35,182	 103,406	 138,588
 Total Liabilities and Fund Balances	 \$ 35,405	 \$ 103,406	 \$ 138,811

CITY OF RICHMOND, MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	SPECIAL REVENUE FUND <u> </u> POLICE TRAINING	PERMANENT FUND <u> </u> CEMETERY FUND	TOTAL OTHER GOVERNMENTAL FUNDS <u> </u>
REVENUES:			
Fines, tickets and fees	\$ 7,175	\$ -	\$ 7,175
Charges for services	-	1,031	1,031
Interest revenue	<u>72</u>	<u>2,424</u>	<u>2,496</u>
 Total Revenues	 7,247	 3,455	 10,702
EXPENDITURES:			
Public safety	5,490	-	5,490
Cemetery, parks and recreation	<u>-</u>	<u>35</u>	<u>35</u>
 Total Expenditures	 <u>5,490</u>	 <u>35</u>	 <u>5,525</u>
Excess (deficiency) of revenues over expenditures	1,757	3,420	5,177
Fund balance, beginning of year	<u>33,425</u>	<u>99,986</u>	<u>133,411</u>
 Fund balance, end of year	 <u>\$ 35,182</u>	 <u>\$ 103,406</u>	 <u>\$ 138,588</u>

INTERNAL CONTROL AND COMPLIANCE



Daniel Jones & Associates

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

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

To the City Council
City of Richmond, Missouri

We have audited the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Richmond as of and for the year ended September 30, 2010, and have issued our report thereon dated August 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting (2010-1, 2010-2 and 2010-3). A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

We noted certain matters that we have reported to the City Council in a separate letter dated August 31, 2011.

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

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

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

August 31, 2011

**CITY OF RICHMOND, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

I. FINANCIAL STATEMENT FINDINGS

2010-01 Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Context: During walkthroughs the City informed us that the necessary risk assessment documentation had not been prepared.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by City's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the City address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Views of Responsible Officials and Planned Corrective Actions: The risk of fraud is minimized as administration and staff work closely together on a day to day basis, the City Administrator is involved with every department and fund within the City, the City Administrator approves financial transactions before payment and the Mayor and City Administrator communicate daily. Also, the City Council oversees and directs the administration and staff through regular council meetings, committee meetings and day-to-day contact with the City Administrator. The City will review fraud risk assessment procedures and consider future needs.

2010-02 Criteria: All supporting documentation must be made available for examination during the audit process.

Condition: Although immaterial, certain additions were made to construction in progress that were unable to be supported.

Context: During our testing of additions to fixed assets we noted the lack of sufficient evidence.

Effect: Additions to construction in progress may be incorrect.

Cause: Unknown.

Recommendation: We recommend the City attempt to support these additions and implement procedures for the maintenance of fixed asset records.

**CITY OF RICHMOND, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

I. FINANCIAL STATEMENT FINDINGS (concluded)

Views of Responsible Officials and Planned Corrective Actions: There has been a significant amount of turnover in the City administration and staff within the past two years that has led to recordkeeping issues. The City has replaced the positions with new employees, and improved recordkeeping procedures have been established.

2010-03 Criteria: Cash balances held on the City's financial statements should maintain adequate funds to provide for the operations of the specific fund.

Condition: During our audit, the Municipal Complex Fund's cash balances as being a credit balances.

Context: During testing of cash we became aware of the negative balance for the Municipal Complex Fund.

Effect: The revenues of the Municipal Complex Fund are not sufficient to maintain its operations.

Cause: Sufficient revenues sources have not been secured to allow for the operation of this fund.

Recommendation: We recommend that the City take steps to lessen the negative balances of the Municipal Complex Fund's cash account and work toward obtaining a zero or debit balance.

Views of Responsible Officials and Planned Corrective Actions: We are aware this issue. We currently make up the difference through the General Fund. We will continue to make up the difference this way until we find difference options of funding or go back to the voters for an increase.

**CITY OF RICHMOND, MISSOURI
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

I. FOLLOW-UP PRIOR YEAR AUDIT FINDINGS

CASH RECEIPTS - During our audit, we noted a lack of segregation of duties in the cash receipt system. The Collector's office receives payments for the utility billings, property taxes, licenses and fees, records these amounts in the computer system and also deposits these monies. We recommend that the City review the cash receipt system and implement proper segregation and reconciling procedures to improve control over cash.

Auditor's Evaluation: The City has implemented appropriate corrective action in the current year being audited.

JOURNAL ENTRIES - During our audit, we noted that the journal entries are prepared and input into the computer accounting software by the Finance Director and these journal entries are not reviewed by another administrative employee. The lack of review procedures could allow misstatements in the financial statements to occur and go undetected. We recommend that the City implement procedures to require that all journal entries prepared by the Finance Director be reviewed and approved on a monthly basis by another administrative employee.

Auditor's Evaluation: The City has implemented appropriate corrective action in the current year being audited.

SEGREGATION OF DUTIES - During our audit, we noted that the payroll clerk's duties include setting up new employees in the computer system, inputting payroll information, and processing direct deposit payroll authorizations. The assignment of these duties to the same person does not provide adequate control since the person preparing the payroll data may also execute payments to employees. We recommend that the City review their procedures for payroll and modify these as necessary to provide adequate control.

Auditor's Evaluation: The City has implemented appropriate corrective action in the current year being audited.