

# **City of Richmond, Michigan**

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## **Financial Report with Supplemental Information June 30, 2015**

# City of Richmond, Michigan

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## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council  
City of Richmond, Michigan

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinion***

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Richmond, Michigan as of June 30, 2015 and the respective changes in its financial position and, where applicable, cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

To the Honorable Mayor and  
Members of the City Council  
City of Richmond, Michigan

**Other Matters**

*Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the major fund budgetary comparison schedules, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Richmond, Michigan's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

*Plante & Moran, PLLC*

August 26, 2015

# **City of Richmond, Michigan**

## **Management's Discussion and Analysis**

Our discussion and analysis of the City of Richmond, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with City's financial statements which follow.

### **Financial Highlights**

As discussed in further detail in the management's discussion and analysis, the following represent the most significant financial highlights for the year ended June 30, 2015:

- The City's taxable value decreased from \$156 million in 2014 to \$155 million in 2015. This was the seventh consecutive year in which taxable value decreased. While taxable value is projected to increase for fiscal year 2016, property tax revenue, the City's largest single revenue source, totaled \$2.4 million in the General Fund this year, representing an increase of 1.0 percent from last fiscal year. This increase primarily reflects an increase in the revenue sharing from the TIFA.
- State-shared revenue, a major source of revenue for the City's General Fund, increased for the year. The City received \$506,909 in the 2014/2015 fiscal year, an increase of \$13,003, or 2.6 percent, from last year. The current year amount represents a reduction of \$177,807, or 26.0 percent, from 2001/2002 funding levels. The City's proactive response to the decline in state-shared revenue is to closely monitor and continually evaluate General Fund revenue trends as well as expenditure trends, especially in the areas of personnel benefit costs and staffing levels and discretionary programming and capital projects, in order to achieve economies of scale, operational efficiencies, cost reductions, and justification for capital expenditures.
- Total long-term liabilities for governmental activities are \$174,083, a decrease of \$25,292, or 12.7 percent, from the previous year. This decrease relates to a decrease in accrued compensated absences.
- Total fund balance for the City's governmental funds increased by \$423,839 primarily as a result of decreased expenditures and increased miscellaneous revenue.
- This was the third year of a tax-based sharing agreement with the TIFA. The agreement generated approximately \$160,000 of revenue for the General Fund over the past year.

# City of Richmond, Michigan

## Management's Discussion and Analysis (Continued)

### Using this Annual Report

This annual report includes a series of financial statements. The statement of net position and the statement of activities provide information about the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services. The activities are divided between governmental and business-type activities. Governmental activities include the General Fund, Special Revenue Funds, Capital Projects Funds, and a Permanent Fund. Business-type activities include the Water, Sewer, and WWTP Equipment Replacement Funds.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

### The City of Richmond, Michigan as a Whole

The following table shows a condensed format of the net position (in thousands of dollars) as of June 30, 2015 and 2014:

	Governmental		Business-type		Total	
	2015	2014	2015	2014	2015	2014
<b>Assets</b>						
Current assets	\$ 3,221	\$ 2,759	\$ 5,052	\$ 4,686	\$ 8,273	\$ 7,445
Noncurrent assets - Capital assets	<u>8,203</u>	<u>8,402</u>	<u>16,136</u>	<u>16,627</u>	<u>24,339</u>	<u>25,029</u>
Total assets	11,424	11,161	21,188	21,313	32,612	32,474
<b>Liabilities</b>						
Current liabilities	273	235	41	47	314	282
Long-term liabilities	<u>174</u>	<u>199</u>	<u>2,693</u>	<u>2,895</u>	<u>2,867</u>	<u>3,094</u>
Total liabilities	<u>447</u>	<u>434</u>	<u>2,734</u>	<u>2,942</u>	<u>3,181</u>	<u>3,376</u>
<b>Net Position</b>						
Net investment in capital assets	8,203	8,402	13,465	13,771	21,668	22,173
Restricted	540	447	580	560	1,120	1,007
Unrestricted	<u>2,234</u>	<u>1,878</u>	<u>4,409</u>	<u>4,040</u>	<u>6,643</u>	<u>5,918</u>
Total net position	<u>\$ 10,977</u>	<u>\$ 10,727</u>	<u>\$ 18,454</u>	<u>\$ 18,371</u>	<u>\$ 29,431</u>	<u>\$ 29,098</u>

# City of Richmond, Michigan

## Management's Discussion and Analysis (Continued)

The City's combined net position for both governmental and business-type activities totals \$29.4 million for fiscal year 2015. Net position is further segregated between restricted and unrestricted net position. The restricted net position, assets that are restricted for a specific purpose/use and invested in capital assets, total approximately \$22.8 million. Unrestricted net position, the part of net position that can be used to finance day-to-day operations, totals approximately \$6.6 million.

The following table shows the change in net position for the years ended June 30, 2015 and 2014 (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 812	\$ 810	\$ 1,780	\$ 1,684	\$ 2,592	\$ 2,494
Operating grants and contributions	429	425	-	-	429	425
Capital grants and contributions	180	180	-	-	180	180
General revenue:						
Property taxes	2,388	2,365	-	-	2,388	2,365
State-shared revenue	507	494	-	-	507	494
Interest	4	4	4	6	8	10
Franchise fees	94	91	-	-	94	91
Miscellaneous	28	31	-	-	28	31
Total revenue	4,442	4,400	1,784	1,690	6,226	6,090
<b>Program Expenses</b>						
General government	882	913	-	-	882	913
Public safety	1,823	1,805	-	-	1,823	1,805
Public works	894	1,093	-	-	894	1,093
Community development	63	61	-	-	63	61
Recreation and culture	530	507	-	-	530	507
Water and sewer	-	-	1,701	1,931	1,701	1,931
Total program expenses	4,192	4,379	1,701	1,931	5,893	6,310
<b>Change in Net Position</b>	<b>\$ 250</b>	<b>\$ 21</b>	<b>\$ 83</b>	<b>\$ (241)</b>	<b>\$ 333</b>	<b>\$ (220)</b>

### Governmental Activities

Governmental activities are those activities (such as public safety or recreation and culture) provided to the constituents of the City and supported by financing from property taxes and state-shared revenue.

The cost of providing services for governmental activities was approximately \$4.2 million for fiscal year 2015. Additionally, revenue for governmental activities totaled approximately \$4.4 million, which netted to an increase in net position for the year of approximately \$250,000.

# **City of Richmond, Michigan**

## **Management's Discussion and Analysis (Continued)**

### **Business-type Activities**

Business-type activities are those that are financed primarily by charges for services or user fees. The City's business-type activities consist of the Water and Sewer Funds and the WWTP Equipment Replacement Fund; these types of operations are most similar to private businesses.

### **The City's Funds**

Our analysis of the City's major funds begins on page 11, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. This includes the General Fund, Water Fund, and Sewer Fund. The other nonmajor governmental funds are consolidated and reported under the column with that heading. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages and restricted revenue from grants or fees.

The General Fund pays for most of the City's governmental services. The most significant is the police department, which incurred expenses of approximately \$1.3 million in 2015. The General Fund is supported primarily by property taxes and state-shared revenue.

### **Budgetary Highlights**

Over the course of the year, the City administration and City Council monitor the budget and, if necessary, amend the budget to take into account unanticipated events that occur during the year. As previously stated, fund balances related to the City's governmental funds increased by approximately \$424,000. During the year ended June 30, 2015, there were no significant budget amendments.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

At the end of fiscal year 2015, the City had \$24 million invested in capital assets (land, buildings, equipment, vehicles, and water and sewer lines). These assets are necessary to carry out the day-to-day operations of the City. See Note 4 for additional details.

# **City of Richmond, Michigan**

## **Management's Discussion and Analysis (Continued)**

### **Long-term Debt**

The City's total long-term indebtedness as of June 30, 2015 is approximately \$2.9 million. Of this amount, \$2.7 million represents general obligation bonds. See Note 6 for additional details.

### **Economic Factors and Next Year's Budgets and Rates**

At this time, the national economy continues to show signs of recovery. The national unemployment rate has decreased from 6.1 percent a year ago to 5.3 percent at the end of the City's current fiscal year. The State has turned around its previous depletion of fiscal reserves by adding to fund balance in recent years. During fiscal year 2016, the City anticipates a modest increase in the level of state-shared revenue. Due to falling property values, the taxable values in the City have fallen since 2008, resulting in lower revenue. As property tax values appear to be leveling off, the City is anticipating a \$57,000 increase in property tax revenue. The City will again utilize a sharing agreement with the TIFA that will result in an additional \$154,000 for the General Fund. To ensure sustainability of our operations, the City is closely monitoring reserve balances, revenue, and expenditures.

### **Contacting the City's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the revenue it receives. If you have any questions about this report or need additional information, we invite you to contact the City of Richmond, Michigan's finance department.

# City of Richmond, Michigan

## Statement of Net Position June 30, 2015

	Primary Government			Component Unit - Tax Increment Finance Authority
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents (Note 3)	\$ 3,059,659	\$ 4,084,778	\$ 7,144,437	\$ 1,071,941
Receivables:				
Customers	-	387,465	387,465	-
Due from other governmental units	154,280	-	154,280	-
Special assessments	7,112	-	7,112	-
Due from primary government	-	-	-	130,446
Restricted assets (Notes 3 and 7)	-	579,679	579,679	-
Land held for resale	-	-	-	50,000
Capital assets (Note 4):				
Assets not subject to depreciation	120,000	157,042	277,042	846,997
Assets subject to depreciation	8,082,933	15,979,318	24,062,251	2,723,972
Total assets	11,423,984	21,188,282	32,612,266	4,823,356
<b>Liabilities</b>				
Accounts payable	109,558	40,655	150,213	62,404
Due to component unit	130,446	-	130,446	-
Accrued liabilities and other	32,858	-	32,858	-
Noncurrent liabilities (Note 6):				
Due within one year	68,637	198,831	267,468	-
Due in more than one year	105,446	2,494,812	2,600,258	-
Total liabilities	446,945	2,734,298	3,181,243	62,404
<b>Net Position</b>				
Net investment in capital assets	8,202,933	13,465,446	21,668,379	3,570,969
Restricted for:				
Roads	422,564	-	422,564	-
Capital projects	-	579,679	579,679	-
Library - Nonexpendable	10,000	-	10,000	-
Library - Expendable	53,117	-	53,117	-
Mausoleum	54,312	-	54,312	-
Unrestricted	2,234,113	4,408,859	6,642,972	1,189,983
Total net position	<u>\$ 10,977,039</u>	<u>\$ 18,453,984</u>	<u>\$ 29,431,023</u>	<u>\$ 4,760,952</u>

# City of Richmond, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 882,272	\$ 19,389	\$ 2,288	\$ -
Public safety	1,822,583	212,592	-	-
Public works	893,802	422,786	411,825	179,778
Community development	63,144	32,617	8,961	-
Recreation and culture	530,122	124,374	6,102	-
Total governmental activities	4,191,923	811,758	429,176	179,778
Business-type activities:				
Water	649,010	776,218	-	-
Sewer	1,041,616	1,004,151	-	-
WWTP equipment replacement	10,219	-	-	-
Total business-type activities	1,700,845	1,780,369	-	-
Total primary government	<u>\$ 5,892,768</u>	<u>\$ 2,592,127</u>	<u>\$ 429,176</u>	<u>\$ 179,778</u>
Component unit - Tax Increment Finance Authority	<u>\$ 562,234</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue				
Interest				
Cable franchise fees				
Other miscellaneous income				
Total general revenue				
<b>Change in Net Position</b>				
<b>Net Position - Beginning of year</b>				
<b>Net Position - End of year</b>				

**Statement of Activities**  
**Year Ended June 30, 2015**

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit - Tax Increment Finance Authority
\$ (860,595)	\$ -	\$ (860,595)	\$ -
(1,609,991)	-	(1,609,991)	-
120,587	-	120,587	-
(21,566)	-	(21,566)	-
(399,646)	-	(399,646)	-
(2,771,211)	-	(2,771,211)	-
-	127,208	127,208	-
-	(37,465)	(37,465)	-
-	(10,219)	(10,219)	-
-	79,524	79,524	-
(2,771,211)	79,524	(2,691,687)	-
-	-	-	(562,234)
2,387,884	-	2,387,884	468,401
506,909	-	506,909	-
4,709	3,569	8,278	5,107
94,194	-	94,194	-
27,604	-	27,604	1
3,021,300	3,569	3,024,869	473,509
250,089	83,093	333,182	(88,725)
10,726,950	18,370,891	29,097,841	4,849,677
<b>\$ 10,977,039</b>	<b>\$ 18,453,984</b>	<b>\$ 29,431,023</b>	<b>\$ 4,760,952</b>

# City of Richmond, Michigan

## Governmental Funds Balance Sheet June 30, 2015

	General Fund	Major Streets Fund	Local Streets Fund	Other Nonmajor Governmental Funds	Total
<b>Assets</b>					
Cash and cash equivalents (Note 3)	\$ 1,315,557	\$ 302,002	\$ 79,502	\$ 1,362,598	\$ 3,059,659
Receivables:					
Special assessments receivable	7,112	-	-	-	7,112
Due from other governmental units	110,452	21,383	22,445	-	154,280
Total assets	<u>\$ 1,433,121</u>	<u>\$ 323,385</u>	<u>\$ 101,947</u>	<u>\$ 1,362,598</u>	<u>\$ 3,221,051</u>
<b>Liabilities</b>					
Accounts payable	\$ 71,131	\$ 1,328	\$ 1,440	\$ 35,659	\$ 109,558
Due to component unit	84,126	-	-	46,320	130,446
Accrued liabilities and other	18,292	-	-	14,566	32,858
Total liabilities	173,549	1,328	1,440	96,545	272,862
<b>Deferred Inflows of Resources</b>					
- Unavailable revenue	94,894	-	-	-	94,894
<b>Fund Balances</b>					
Nonspendable -					
Library endowment	-	-	-	10,000	10,000
Restricted:					
Roads	-	322,057	100,507	-	422,564
Library	-	-	-	53,117	53,117
Mausoleum	-	-	-	54,312	54,312
Committed:					
Fire operations	-	-	-	8,648	8,648
Parks and recreation	-	-	-	77,211	77,211
Cemetery	-	-	-	51,815	51,815
Fire equipment replacement	-	-	-	46,313	46,313
Assigned:					
Subsequent year's budget	47,608	-	-	-	47,608
Capital projects	-	-	-	964,637	964,637
Unassigned	1,117,070	-	-	-	1,117,070
Total fund balances	<u>1,164,678</u>	<u>322,057</u>	<u>100,507</u>	<u>1,266,053</u>	<u>2,853,295</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,433,121</u>	<u>\$ 323,385</u>	<u>\$ 101,947</u>	<u>\$ 1,362,598</u>	<u>\$ 3,221,051</u>

The Notes to Financial Statements are an Integral Part of this Statement.

# City of Richmond, Michigan

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## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2015

<b>Fund Balance Reported in Governmental Funds</b>	\$ 2,853,295
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	8,202,933
Certain receivables were earned during the current fiscal year but are not available to pay for current year expenditures	94,894
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	<u>(174,083)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 10,977,039</u></b>

# City of Richmond, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2015

	General Fund	Major Streets Fund	Local Streets Fund	Other Nonmajor Governmental Funds	Total
<b>Revenue</b>					
Property taxes	\$ 2,387,884	\$ -	\$ -	\$ -	\$ 2,387,884
Licenses and permits	154,923	-	-	-	154,923
State-shared revenue and grants	526,250	286,298	127,305	-	939,853
Charges for services	426,207	-	-	223,946	650,153
Fines and forfeitures	62,337	-	-	-	62,337
Interest	4,233	-	-	476	4,709
Other revenue:					
Special assessments	1,778	-	-	-	1,778
Donations	8,048	-	-	178,380	186,428
Other miscellaneous income	45,119	60	1,052	7,206	53,437
Total revenue	<u>3,616,779</u>	<u>286,358</u>	<u>128,357</u>	<u>410,008</u>	<u>4,441,502</u>
<b>Expenditures - Current</b>					
General government	506,730	-	-	-	506,730
Public service	-	-	-	62,624	62,624
Public safety	1,740,387	-	-	202,209	1,942,596
Public works	563,279	190,077	129,315	-	882,671
Recreation and culture	288,411	-	-	224,057	512,468
Debt service - Principal	110,574	-	-	-	110,574
Total expenditures	<u>3,209,381</u>	<u>190,077</u>	<u>129,315</u>	<u>488,890</u>	<u>4,017,663</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	407,398	96,281	(958)	(78,882)	423,839
<b>Other Financing Sources (Uses)</b>					
Transfers in (Note 5)	-	-	50,000	426,047	476,047
Transfers out (Note 5)	(426,047)	(50,000)	-	-	(476,047)
Total other financing (uses) sources	<u>(426,047)</u>	<u>(50,000)</u>	<u>50,000</u>	<u>426,047</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	(18,649)	46,281	49,042	347,165	423,839
<b>Fund Balances - Beginning of year</b>	<u>1,183,327</u>	<u>275,776</u>	<u>51,465</u>	<u>918,888</u>	<u>2,429,456</u>
<b>Fund Balances - End of year</b>	<u>\$ 1,164,678</u>	<u>\$ 322,057</u>	<u>\$ 100,507</u>	<u>\$ 1,266,053</u>	<u>\$ 2,853,295</u>

# City of Richmond, Michigan

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2015**

**Net Change in Fund Balances - Total Governmental Funds** \$ 423,839

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	155,402
Depreciation expense	(354,954)

Special assessment revenue is not reported in the funds until received; this revenue is recorded as revenue when the project is substantially completed in the government-wide statements (1,778)

Intergovernmental revenue is recognized in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end 2,288

Decrease in accumulated employee sick and vacation pay does not require the use of current resources and therefore is not reported in the fund statements until it comes due for payment 25,292

**Change in Net Position of Governmental Activities** **\$ 250,089**

# City of Richmond, Michigan

## Proprietary Funds Statement of Net Position June 30, 2015

	Major Enterprise Funds		Nonmajor Enterprise - WWTP Equipment Replacement	Total
	Water Fund	Sewer Fund		
<b>Assets</b>				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 834,951	\$ 2,679,437	\$ 570,390	\$ 4,084,778
Receivables - Customers	176,136	211,329	-	387,465
Total current assets	1,011,087	2,890,766	570,390	4,472,243
Noncurrent assets:				
Restricted assets (Note 7)	-	579,679	-	579,679
Capital assets (Note 4):				
Assets not subject to depreciation	128,983	28,059	-	157,042
Assets subject to depreciation	5,161,109	10,696,171	122,038	15,979,318
Total noncurrent assets	5,290,092	11,303,909	122,038	16,716,039
Total assets	6,301,179	14,194,675	692,428	21,188,282
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	9,727	30,928	-	40,655
Current portion of compensated absences (Note 6)	4,949	3,882	-	8,831
Current portion of long-term debt (Note 6)	-	190,000	-	190,000
Total current liabilities	14,676	224,810	-	239,486
Noncurrent liabilities:				
Long-term portion of compensated absences (Note 6)	8,060	5,838	-	13,898
Long-term debt (Note 6)	-	2,480,914	-	2,480,914
Total noncurrent liabilities	8,060	2,486,752	-	2,494,812
Total liabilities	22,736	2,711,562	-	2,734,298
<b>Net Position</b>				
Net investment in capital assets	5,290,092	8,053,316	122,038	13,465,446
Restricted (Note 7)	-	579,679	-	579,679
Unrestricted	988,351	2,850,118	570,390	4,408,859
Total net position	\$ 6,278,443	\$11,483,113	\$ 692,428	\$18,453,984

The Notes to Financial Statements are an  
Integral Part of this Statement.

# City of Richmond, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2015

	<u>Major Enterprise Funds</u>		Nonmajor Enterprise - WWTP Equipment Replacement	<u>Total</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>		
<b>Operating Revenue</b>				
Usage fees	\$ 727,876	\$ 949,861	\$ -	\$ 1,677,737
Tap-in fees	315	315	-	630
Charges for services	5,473	-	-	5,473
Penalties	13,218	17,603	-	30,821
Miscellaneous	29,336	36,372	-	65,708
Total operating revenue	776,218	1,004,151	-	1,780,369
<b>Operating Expenses</b>				
Water production	103,984	-	-	103,984
Sewer treatment plant	-	363,466	-	363,466
Administration	124,515	137,568	-	262,083
Water system	268,890	-	-	268,890
Sewer system	-	115,561	-	115,561
Depreciation	151,621	371,612	10,219	533,452
Total operating expenses	649,010	988,207	10,219	1,647,436
<b>Operating Income (Loss)</b>	127,208	15,944	(10,219)	132,933
<b>Nonoperating Revenue (Expenses)</b>				
Investment income	957	1,001	1,611	3,569
Interest expense	-	(53,409)	-	(53,409)
Total nonoperating revenue (expenses)	957	(52,408)	1,611	(49,840)
<b>Income (Loss) - Before transfers</b>	128,165	(36,464)	(8,608)	83,093
<b>Transfers In</b> (Note 5)	22,454	-	27,025	49,479
<b>Transfers Out</b> (Note 5)	-	(49,479)	-	(49,479)
<b>Change in Net Position</b>	150,619	(85,943)	18,417	83,093
<b>Net Position - Beginning of year</b>	6,127,824	11,569,056	674,011	18,370,891
<b>Net Position - End of year</b>	<u>\$ 6,278,443</u>	<u>\$ 11,483,113</u>	<u>\$ 692,428</u>	<u>\$ 18,453,984</u>

The Notes to Financial Statements are an  
Integral Part of this Statement.

# City of Richmond, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2015

	Major Enterprise Funds		Nonmajor Enterprise - WWTP Equipment Replacement	Total
	Water Fund	Sewer Fund		
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 780,884	\$ 1,010,132	\$ -	\$ 1,791,016
Payments to suppliers, employees, and other funds	(506,267)	(630,401)	-	(1,136,668)
Net cash provided by operating activities	274,617	379,731	-	654,348
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers from other funds	22,454	-	27,025	49,479
Transfers to other funds	-	(49,479)	-	(49,479)
Net cash provided by (used in) noncapital financing activities	22,454	(49,479)	27,025	-
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchase of capital assets	(11,248)	(31,511)	-	(42,759)
Principal and interest paid on capital debt	-	(238,409)	-	(238,409)
Net cash used in capital and related financing activities	(11,248)	(269,920)	-	(281,168)
<b>Cash Flows from Investing Activities</b> - Interest received on investments	957	1,001	1,611	3,569
<b>Net Increase in Cash and Cash Equivalents</b>	286,780	61,333	28,636	376,749
<b>Cash and Cash Equivalents</b> - Beginning of year	548,171	3,197,783	541,754	4,287,708
<b>Cash and Cash Equivalents</b> - End of year	<u>\$ 834,951</u>	<u>\$ 3,259,116</u>	<u>\$ 570,390</u>	<u>\$ 4,664,457</u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>				
Cash and investments	\$ 834,951	\$ 2,679,437	\$ 570,390	\$ 4,084,778
Restricted cash	-	579,679	-	579,679
Total cash and cash equivalents	<u>\$ 834,951</u>	<u>\$ 3,259,116</u>	<u>\$ 570,390</u>	<u>\$ 4,664,457</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>				
Operating income (loss)	\$ 127,208	\$ 15,944	\$ (10,219)	\$ 132,933
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	151,621	371,612	10,219	533,452
Changes in assets and liabilities:				
Receivables	4,666	5,981	-	10,647
Inventories	(9,080)	(7,550)	-	(16,630)
Accounts payable	202	(6,256)	-	(6,054)
Net cash provided by operating activities	<u>\$ 274,617</u>	<u>\$ 379,731</u>	<u>\$ -</u>	<u>\$ 654,348</u>

# City of Richmond, Michigan

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## **Fiduciary Funds Statement of Fiduciary Assets and Liabilities Trust and Agency Fund June 30, 2015**

<b>Assets - Cash (Note 3)</b>	<u>\$ 7,307</u>
<b>Liabilities - Accrued liabilities and other</b>	<u>\$ 7,307</u>

### **Note I - Summary of Significant Accounting Policies**

The following is a summary of the significant accounting policies used by the City of Richmond, Michigan (the "City"):

#### **Reporting Entity**

The City of Richmond, Michigan is governed by an elected seven-member council. The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

#### **Discretely Presented Component Units**

The Tax Increment Finance Authority (the "Authority") was created to promote capital expansion within the City. The Authority's governing body is selected by the City Council. In addition, the Authority's budget is subject to approval by the City Council. There are no separately issued financial statements for the Tax Increment Finance Authority.

The Economic Development Corporation (the "Corporation") was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The Corporation was inactive during the year and has no assets or liabilities.

#### **Accounting and Reporting Principles**

The City follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

#### **Report Presentation**

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

### Note I - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenue are reported instead as general revenue.

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's water and sewer functions and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### **Fund Accounting**

The City accounts for its various activities in several different funds in order to demonstrate accountability for how we have spent certain resources - separate funds allow us to show the particular expenditures that specific revenues were used for. The various funds are aggregated into three broad fund types:

**Governmental Funds** include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, capital project funds, and permanent funds. The City reports the following funds as "major" governmental funds:

- The General Fund, which is the primary operating fund because it accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund;
- The Major Streets Fund, which accounts for the activities related to major street construction. The City receives state gas and weight tax collection allocation to fund construction;
- The Local Streets Fund, which accounts for the activities related to local street construction. The City receives state gas and weight tax collection allocation to fund construction.

### Note I - Summary of Significant Accounting Policies (Continued)

**Proprietary Funds** include enterprise funds, which provide goods or services to users in exchange for charges or fees. The City reports the following funds as “major” enterprise funds:

- The Water Fund provides water to customers in exchange for user charges.
- The Sewer Fund provides sewer services to customers in exchange for user charges.

**Fiduciary Funds** include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. Activities that are reported as fiduciary include:

- The Agency Funds, which account for assets held by the City as an agent for individuals, organizations, other governments, or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Interfund activity: During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

#### **Basis of Accounting**

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

### **Note I - Summary of Significant Accounting Policies (Continued)**

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare related costs, or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: property taxes, state gas and weight tax revenue, franchise fee, licenses, and interest associated with the current fiscal period. Conversely, some state- shared revenue and special assessments will be collected after the period of availability; receivables have been recorded for these, along with a "deferred inflow of resources."

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

#### **Specific Balances and Transactions**

**Cash and Cash Equivalents** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. The statement of cash flows includes both restricted and unrestricted cash and cash equivalents. Investments are stated at fair value, based on quoted market prices, or estimated fair value.

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets** - The Sewer Fund has restricted assets relating to the future capital needs for the sewer treatment plant as required by Environmental Protection Agency regulations.

**Land Held for Resale** - The land held for resale in the Tax Increment Finance Authority Fund consists of real property purchased by the TIFA. The TIFA plans to sell the land. The land is recorded at the lower of cost or fair market value.

### Note I - Summary of Significant Accounting Policies (Continued)

**Capital Assets** - Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Capital Asset Class</u>	<u>Lives</u>
Buildings and improvements	5 - 50 years
Vehicles and equipment	5 - 40 years
Utility systems	50 years
Infrastructure - Roads	25 years

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method; bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an "other financing source," as well as bond premiums and discounts.

#### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any items that qualify for reporting in this category.

### **Note I - Summary of Significant Accounting Policies (Continued)**

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenues qualify for reporting in this category. The deferred inflows of resources related to unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: special assessments and state-shared revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

#### **Net Position Flow Assumption**

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

#### **Fund Balance Flow Assumption**

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance unless unrestricted resources have been transferred in for that particular expense. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

#### **Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

### Note I - Summary of Significant Accounting Policies (Continued)

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council has not authorized anyone to assign fund balance. The Council may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

#### **Property Tax Revenue**

Properties are assessed as of December 31. The related property taxes are billed on July 1 and become a lien on December 1 of the following year. These taxes are due on September 30 with the final collection date of February 28 before they are added to the county tax rolls.

The 2014 taxable valuation of the City totaled \$155.3 million (a portion of which is captured by the TIFA), on which taxes levied consisted of 16.6526 mills for operating purposes. This resulted in \$2,294,475 for operating, which is recognized in the General Fund financial statements as tax revenue.

**Compensated Absences (Vacation and Sick Leave)** - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Employees earn benefits based on time of service with the City. All vacation and sick pay is accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds as it comes due for payment, generally when time is taken off or employees terminate. Generally, the funds that report each employee's compensation (the General Fund, Street Funds, Cemetery, Parks and Recreation, Water, and Sewer Funds, primarily) are used to liquidate the obligation.

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Proprietary Funds Operating Classification** - Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Funds are charges to customers for sales and services. The Water and Sewer Funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**Use of Estimates** - The preparation of 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 financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### Note 2 - Stewardship, Compliance, and Accountability

**Construction Code Fees** - The City tracks the results of building department operations in the General Fund. In accordance with Michigan Public Act 245 of 1999, the City is required to maintain an accounting system that separately accumulates revenue and expenditures related to the building department function. As required under provision of the act, the City adopted this accounting treatment effective January 1, 2000. Activity for the year ended June 30, 2015 is as follows:

<b>Accumulated Expenditures Over Revenue - July 1, 2014</b>	\$ (384,742)
Current year revenue	58,493
Current year expenditures - Direct costs	<u>78,728</u>
Excess of expenditures over revenue	<u>(20,235)</u>
<b>Accumulated Expenditures Over Revenue - June 30, 2015</b>	<u>\$ (404,977)</u>

### Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The City is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The City has adopted an investment policy in accordance with State law.

The City has designated six banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all of the investment options as allowed under the state statutory authority as listed above. The City's deposits and investment policies are in accordance with statutory authority.

The City's cash and investments are subject to custodial credit risk, which is examined in more detail below:

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$7,065,748 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The City also holds bank deposits on behalf of its component unit. At year end, the City had \$779,053 of component unit bank deposits that were uninsured and uncollateralized. The City and its component unit believe that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City and its component unit evaluate each financial institution with which they deposit funds and assess the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

# City of Richmond, Michigan

## Notes to Financial Statements June 30, 2015

### Note 4 - Capital Assets

Capital asset activity of the City's governmental and business-type activities and its component units was as follows:

	Balance July 1, 2014	Additions	Disposals	Balance June 30, 2015
<b>Governmental Activities</b>				
Capital assets not being depreciated -				
Land	\$ 120,000	\$ -	\$ -	\$ 120,000
Capital assets being depreciated:				
Infrastructure	4,118,109	7,192	-	4,125,301
Buildings and improvements	4,982,221	-	-	4,982,221
Vehicles and equipment	4,242,602	148,210	-	4,390,812
Subtotal	13,342,932	155,402	-	13,498,334
Accumulated depreciation:				
Infrastructure	835,239	123,881	-	959,120
Buildings and improvements	1,485,676	67,810	-	1,553,486
Vehicles and equipment	2,739,532	163,263	-	2,902,795
Subtotal	5,060,447	354,954	-	5,415,401
Net capital assets being depreciated	8,282,485	(199,552)	-	8,082,933
Net capital assets	\$ 8,402,485	\$ (199,552)	\$ -	\$ 8,202,933
<b>Business-type Activities</b>				
Capital assets not being depreciated -				
Land	\$ 157,042	\$ -	\$ -	\$ 157,042
Capital assets being depreciated:				
Utility systems	16,381,970	11,247	(44,492)	16,348,725
Buildings	9,486,618	31,512	-	9,518,130
Vehicles and equipment	920,622	-	-	920,622
Subtotal	26,789,210	42,759	(44,492)	26,787,477
Accumulated depreciation:				
Utility systems	5,670,975	389,499	(44,492)	6,015,982
Buildings	3,882,299	128,753	-	4,011,052
Vehicles and equipment	765,925	15,200	-	781,125
Subtotal	10,319,199	533,452	(44,492)	10,808,159
Net capital assets being depreciated	16,470,011	(490,693)	-	15,979,318
Net capital assets	\$ 16,627,053	\$ (490,693)	\$ -	\$ 16,136,360

# City of Richmond, Michigan

## Notes to Financial Statements June 30, 2015

### Note 4 - Capital Assets (Continued)

Component Units	Balance July 1, 2014	Additions	Disposals	Balance June 30, 2015
Capital assets not being depreciated:				
Land	\$ -	\$ 165,243	\$ -	\$ 165,243
Construction in progress	7,683	674,071	-	681,754
Subtotal	7,683	839,314	-	846,997
Capital assets being depreciated:				
Infrastructure	2,115,697	103,934	-	2,219,631
Buildings and improvements	171,857	-	-	171,857
Furniture and fixtures	162,942	22,200	-	185,142
Land improvements	729,704	-	-	729,704
Subtotal	3,180,200	126,134	-	3,306,334
Accumulated depreciation:				
Infrastructure	271,381	35,054	-	306,435
Buildings and improvements	113,465	13,624	-	127,089
Furniture and fixtures	59,308	11,613	-	70,921
Land improvements	65,309	12,608	-	77,917
Subtotal	509,463	72,899	-	582,362
Net capital assets being depreciated	2,670,737	53,235	-	2,723,972
Net capital assets	\$ 2,678,420	\$ 892,549	\$ -	\$ 3,570,969

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 275,723
Public safety	59,744
Recreation and culture	19,487
Total governmental activities	\$ 354,954
Business-type activities:	
Water lines	\$ 151,621
Sewer lines	371,612
WWTP equipment	10,219
Total business-type activities	\$ 533,452

**Construction Commitments** - The City has an ongoing significant active construction project as of June 30, 2015 involving the repurposing of the police post building into the new city hall. As of June 30, 2015, \$681,754 has been spent on the project, with a remaining commitment of approximately \$250,000 yet to be spent. The City expects to have this project completed during the year ending June 30, 2016.

# City of Richmond, Michigan

## Notes to Financial Statements June 30, 2015

### Note 5 - Interfund Receivables, Payables, and Transfers

At June 30, 2015, \$46,320 was due to the Tax Increment Finance Authority from the Vehicle and Repairs Fund related to the purchase of a street sweeper. The amount will be paid in three equal payments through 2018. Additionally, \$84,126 was due to the Tax Increment Finance Authority from the General Fund related to the purchase of two police vehicles. That amount will be paid in two equal payments through 2017.

Interfund balances represent routine cash flow assistance.

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 426,047
Major Streets Fund	Local Streets Fund	50,000
Sewer Fund	Water Fund	22,454
	Nonmajor enterprise fund	<u>27,025</u>
	Total Sewer Fund	<u>49,479</u>
	Total	<u>\$ 525,526</u>

Transfers provided funding for capital projects, capital acquisitions, and program services in accordance with budgetary authorizations.

### Note 6 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. City contractual agreements and installment purchase agreements are also general obligations of the government.

Long-term debt activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Compensated absences	<u>\$ 199,375</u>	<u>\$ 78,001</u>	<u>\$ 103,293</u>	<u>\$ 174,083</u>	<u>\$ 68,637</u>

# City of Richmond, Michigan

## Notes to Financial Statements June 30, 2015

### Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type Activities</b>							
General obligation bonds - 2010							
Sewage Disposal System Revolving Loan:							
Amount of issue - \$1,585,000		\$40,000 -					
Maturing through 2030	2.5%	\$60,000	\$ 800,000	\$ -	\$ 40,000	\$ 760,000	\$ 40,000
General obligation bonds - 2007							
Sewage Disposal System Revolving Loan:							
Amount of issue - \$3,010,914		\$145,000 -					
Maturing through 2027	1.625%	\$170,000	2,055,914	-	145,000	1,910,914	150,000
Total bonds payable			2,855,914	-	185,000	2,670,914	190,000
Compensated absences			39,359	14,045	30,675	22,729	8,831
Total business-type activities			<u>\$ 2,895,273</u>	<u>\$ 14,045</u>	<u>\$ 215,675</u>	<u>\$ 2,693,643</u>	<u>\$ 198,831</u>

The Sewage Disposal System Revolving Loans represent the City's obligations under State Revolving Fund loans related to sewer construction projects. The City has pledged its full faith and credit related to the repayment of these obligations.

Total interest expense for the year was approximately \$53,000. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Business-type Activities		
	Principal	Interest	Total
2016	\$ 190,000	\$ 50,052	\$ 240,052
2017	195,000	46,615	241,615
2018	195,000	43,052	238,052
2019	200,000	39,490	239,490
2020	200,000	35,846	235,846
2021-2025	1,085,000	121,943	1,206,943
2026-2030	605,914	29,417	635,331
Total	<u>\$ 2,670,914</u>	<u>\$ 366,415</u>	<u>\$ 3,037,329</u>

### Note 7 - Restricted Net Position

Restricted assets at June 30, 2015 consist of cash and cash equivalents that are restricted for future capital needs for the sewer treatment plant as required by Environmental Protection Agency regulations. Net position has been restricted for capital improvement related to this requirement.

# City of Richmond, Michigan

## Notes to Financial Statements June 30, 2015

### Note 8 - Commitments

The City entered into an agreement with Lenox Township for the annexation of land to be paid for by property taxes levied on the taxable value of the land. This agreement was modified during the year ended June 30, 1999. The modified agreement requires annual payments through September 1, 2018 totaling 3.6 mills of the total taxable value of the area annexed. The City paid \$110,574 during the year ended June 30, 2015 when the taxable value of the area was approximately \$31 million.

During the year ending June 30, 2016, the City will pay approximately \$115,000, based on an estimated taxable value of approximately \$32 million. Future installment payments have been estimated assuming inflationary increases of 3 percent per year.

The estimated annual payment requirements to service the agreement as of June 30, 2015 are as follows:

2016	\$	114,657
2017		118,097
2018		121,640
2019		<u>125,289</u>
Total	\$	<u>479,683</u>

### Note 9 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for property loss, torts, errors and omissions, and medical benefit claims and participates in the Michigan Municipal League risk pool for claims relating to workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

### **Note 10 - Defined Contribution Pension Plan**

The City provides pension benefits to all of its full-time employees through four defined contribution plans: (1) 401 Money Purchase Plan and 457 Deferred Compensation Plan administered by ICMA-RC Retirement Trust, (2) John Hancock Venture Annuity administered by John Hancock Annuities, (3) Pension Trust administered by Lincoln Financial Group, and (4) MERS Defined Contribution Plan administered by Municipal Employees' Retirement System of Michigan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by council resolution, the City contributes 10 percent of employees' gross earnings, and employees have to contribute at least 5 percent. In accordance with these requirements, the City contributed \$141,120 during the current year and employees contributed \$129,995.

### **Note 11 - Upcoming Accounting Pronouncements**

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the City to recognize on the face of the financial statements its net OPEB liability. The Statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2018.

## **Required Supplemental Information**

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# City of Richmond, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 2,377,356	\$ 2,386,156	\$ 2,387,884	\$ 1,728
Licenses and permits	131,000	131,000	154,923	23,923
State-shared revenue and grants	525,726	526,526	526,250	(276)
Charges for services:				
Trash collection	291,000	291,000	293,285	2,285
Fees	15,000	16,500	11,131	(5,369)
Rentals	116,350	116,350	121,791	5,441
Fines and forfeitures:				
Traffic fines and penalties	21,800	21,800	15,405	(6,395)
Library fines	23,200	24,500	46,932	22,432
Interest	2,000	2,000	4,233	2,233
Other revenue:				
Special assessments	1,778	1,778	1,778	-
Donations	4,000	6,800	8,048	1,248
Other miscellaneous income	43,100	43,100	45,119	2,019
Total revenue	3,552,310	3,567,510	3,616,779	49,269
<b>Expenditures - Current</b>				
General government:				
City Council	22,035	21,035	20,434	601
City manager	72,851	72,851	64,311	8,540
Cable television	36,334	36,334	35,437	897
Treasurer	63,142	76,095	74,295	1,800
Assessor	35,273	37,752	36,782	970
Board of review	17,035	3,179	3,228	(49)
Clerk	106,989	107,521	103,220	4,301
Elections	12,259	12,259	10,678	1,581
Buildings and grounds	32,477	31,945	31,684	261
Attorney	22,500	23,500	29,007	(5,507)
Building and grounds - Police	98,040	98,040	97,654	386
Total general government	518,935	520,511	506,730	13,781
Public safety:				
Police	1,298,464	1,298,464	1,282,884	15,580
Communications	258,446	258,446	233,744	24,702
Civil defense/emergency preparedness	1,411	1,411	850	561
Traffic safety	21,670	21,670	17,694	3,976
Building and trade inspections	78,244	78,322	78,978	(656)
Planning	68,167	68,167	66,511	1,656
Public service director	74,421	74,596	59,726	14,870
Total public safety	1,800,823	1,801,076	1,740,387	60,689

# City of Richmond, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Expenditures - Current (Continued)</b>				
Public works:				
Department of Public Works	\$ 222,030	\$ 222,750	\$ 183,153	\$ 39,597
Refuse collection and disposal	282,630	282,630	272,433	10,197
Street lighting	121,200	121,200	107,693	13,507
Total public works	625,860	626,580	563,279	63,301
Recreation and culture - Library	313,297	312,402	288,411	23,991
Debt service - Principal	112,878	112,878	110,574	2,304
Total expenditures	3,371,793	3,373,447	3,209,381	164,066
<b>Excess of Revenue Over Expenditures</b>	180,517	194,063	407,398	213,335
<b>Other Financing Uses - Transfers out</b>	(477,763)	(485,462)	(426,047)	(59,415)
<b>Net Change in Fund Balance</b>	(297,246)	(291,399)	(18,649)	272,750
<b>Fund Balance - Beginning of year</b>	1,183,327	1,183,327	1,183,327	-
<b>Fund Balance - End of year</b>	<b>\$ 886,081</b>	<b>\$ 891,928</b>	<b>\$ 1,164,678</b>	<b>\$ 272,750</b>

# City of Richmond, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Major Streets Fund Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
State-shared revenue and grants	\$ 265,821	\$ 265,821	\$ 286,298	\$ 20,477
Other revenue - Other miscellaneous income	100	100	60	(40)
Total revenue	265,921	265,921	286,358	20,437
<b>Expenditures - Current - Public works</b>				
Routine maintenance	107,845	107,753	76,789	30,964
Winter maintenance	84,862	84,887	80,273	4,614
Traffic services	32,838	32,905	21,747	11,158
Administration	12,780	12,780	11,268	1,512
Total expenditures	238,325	238,325	190,077	48,248
<b>Excess of Revenue Over Expenditures</b>	27,596	27,596	96,281	68,685
<b>Other Financing Uses - Transfers out</b>	(50,000)	(50,000)	(50,000)	-
<b>Net Change in Fund Balance</b>	(22,404)	(22,404)	46,281	68,685
<b>Fund Balance - Beginning of year</b>	275,776	275,776	275,776	-
<b>Fund Balance - End of year</b>	<u>\$ 253,372</u>	<u>\$ 253,372</u>	<u>\$ 322,057</u>	<u>\$ 68,685</u>

# City of Richmond, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Local Streets Fund Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
State-shared revenue and grants	\$ 87,282	\$ 87,282	\$ 127,305	\$ 40,023
Other revenue - Other miscellaneous income	100	100	1,052	952
Total revenue	<u>87,382</u>	<u>87,382</u>	<u>128,357</u>	<u>40,975</u>
<b>Expenditures - Current - Public works</b>				
Routine maintenance	94,662	90,302	69,397	20,905
Winter maintenance	41,810	47,566	45,978	1,588
Traffic services	11,551	10,155	6,477	3,678
Administration	8,406	8,406	7,463	943
Total expenditures	<u>156,429</u>	<u>156,429</u>	<u>129,315</u>	<u>27,114</u>
<b>Excess of Expenditures Over Revenue</b>	(69,047)	(69,047)	(958)	68,089
<b>Other Financing Sources - Transfers in</b>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	(19,047)	(19,047)	49,042	68,089
<b>Fund Balance - Beginning of year</b>	<u>51,465</u>	<u>51,465</u>	<u>51,465</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 32,418</u></u>	<u><u>\$ 32,418</u></u>	<u><u>\$ 100,507</u></u>	<u><u>\$ 68,089</u></u>

# City of Richmond, Michigan

## Note to Required Supplemental Information Year Ended June 30, 2015

**Budgetary Information** - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds.

The City adopts its budget on a departmental basis, which is in accordance with the State's legal requirement and is the level of classification detail at which expenditures may not legally exceed appropriations.

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

- Prior to the first regular board meeting in April, the city manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted to obtain taxpayer comments.
- Prior to the second Monday in June, the budget is legally adopted by the City Council through adoption of the appropriation ordinance.
- The city manager is authorized to transfer budgeted amounts within the budgetary centers (activity); however, any revisions that alter the total expenditure of any budgetary center (activity) must be approved by the City Council.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the City's General Fund incurred expenditures that were in excess of the amounts budgeted, as follows:

	Amended Budget	Actual	Variance
General Fund:			
Board of Review	\$ 3,179	\$ 3,228	\$ (49)
Attorney	23,500	29,007	(5,507)
Building and trade inspections	78,322	78,978	(656)

## **Other Supplemental Information**

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# City of Richmond, Michigan

	Special Revenue Funds			
	Fire Department	Mausoleum	Cemetery	Parks and Recreation
<b>Assets</b>				
Cash and investments	<u>\$ 91,563</u>	<u>\$ 54,312</u>	<u>\$ 52,139</u>	<u>\$ 90,510</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 22,036	\$ -	\$ 324	\$ 13,299
Due to component unit	-	-	-	-
Accrued liabilities and other	14,566	-	-	-
Total liabilities	36,602	-	324	13,299
<b>Fund Balances</b>				
Nonspendable - Library endowment	-	-	-	-
Restricted:				
Library	-	-	-	-
Mausoleum	-	54,312	-	-
Committed:				
Fire operations	8,648	-	-	-
Parks and recreation	-	-	-	77,211
Cemetery	-	-	51,815	-
Fire equipment replacement	46,313	-	-	-
Assigned - Capital projects	-	-	-	-
Total fund balances	<u>54,961</u>	<u>54,312</u>	<u>51,815</u>	<u>77,211</u>
Total liabilities and fund balances	<u>\$ 91,563</u>	<u>\$ 54,312</u>	<u>\$ 52,139</u>	<u>\$ 90,510</u>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2015**

<u>Capital Projects Funds</u>		<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Vehicle and Repairs</u>	<u>Street Improvement</u>	<u>Library Endowment</u>	
<b><u>\$ 101,078</u></b>	<b><u>\$ 909,879</u></b>	<b><u>\$ 63,117</u></b>	<b><u>\$ 1,362,598</u></b>
\$ -	\$ -	\$ -	\$ 35,659
46,320	-	-	46,320
-	-	-	14,566
<u>46,320</u>	<u>-</u>	<u>-</u>	<u>96,545</u>
-	-	10,000	10,000
-	-	53,117	53,117
-	-	-	54,312
-	-	-	8,648
-	-	-	77,211
-	-	-	51,815
-	-	-	46,313
<u>54,758</u>	<u>909,879</u>	<u>-</u>	<u>964,637</u>
<u>54,758</u>	<u>909,879</u>	<u>63,117</u>	<u>1,266,053</u>
<b><u>\$ 101,078</u></b>	<b><u>\$ 909,879</u></b>	<b><u>\$ 63,117</u></b>	<b><u>\$ 1,362,598</u></b>

# City of Richmond, Michigan

	Special Revenue Funds			
	Fire Department	Mausoleum	Cemetery	Parks and Recreation
<b>Revenue</b>				
Charges for services	\$ 125,651	\$ 100	\$ 32,210	\$ 65,985
Interest	-	-	476	-
Other revenue:				
Donations	-	-	180	200
Other miscellaneous income	30	-	307	6,869
	<u>125,681</u>	<u>100</u>	<u>33,173</u>	<u>73,054</u>
Total revenue	125,681	100	33,173	73,054
<b>Expenditures - Current</b>				
Public service	-	2,070	60,554	-
Public safety	202,209	-	-	-
Recreation and culture	-	-	-	224,057
	<u>202,209</u>	<u>2,070</u>	<u>60,554</u>	<u>224,057</u>
Total expenditures	202,209	2,070	60,554	224,057
<b>Excess of Revenue (Under) Over Expenditures</b>	(76,528)	(1,970)	(27,381)	(151,003)
<b>Other Financing Sources - Transfers in</b>	<u>106,689</u>	<u>-</u>	<u>43,000</u>	<u>150,000</u>
<b>Net Change in Fund Balances</b>	30,161	(1,970)	15,619	(1,003)
<b>Fund Balances - Beginning of year</b>	<u>24,800</u>	<u>56,282</u>	<u>36,196</u>	<u>78,214</u>
<b>Fund Balances - End of year</b>	<u>\$ 54,961</u>	<u>\$ 54,312</u>	<u>\$ 51,815</u>	<u>\$ 77,211</u>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes in**  
**Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2015**

Capital Projects Funds		Permanent Fund	Total Nonmajor Governmental Funds
Vehicle and Repairs	Street Improvement	Library Endowment	
\$ -	\$ -	\$ -	\$ 223,946
-	-	-	476
-	178,000	-	178,380
-	-	-	7,206
-	178,000	-	410,008
-	-	-	62,624
-	-	-	202,209
-	-	-	224,057
-	-	-	488,890
-	178,000	-	(78,882)
24,358	102,000	-	426,047
24,358	280,000	-	347,165
30,400	629,879	63,117	918,888
<b>\$ 54,758</b>	<b>\$ 909,879</b>	<b>\$ 63,117</b>	<b>\$ 1,266,053</b>