

# **City of Richmond, Michigan**

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**Financial Report  
with Supplemental Information  
June 30, 2013**

# City of Richmond, Michigan

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## Contents

<b>Report Letter</b>	1-2
<b>Management's Discussion and Analysis</b>	3-7
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9-10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Reconciliation of the Balance Sheet to the Statement of Net Position	12
Statement of Revenue, Expenditures, and Changes in Fund Balances	13
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Proprietary Funds:	
Statement of Net Position	15
Statement of Revenue, Expenses, and Changes in Net Position	16
Statement of Cash Flows	17
Fiduciary Funds - Statement of Fiduciary Assets and Liabilities - Trust and Agency Fund	18
Notes to Financial Statements	19-32
<b>Required Supplemental Information</b>	33
Budgetary Comparison Schedule - General Fund	34-35
Budgetary Comparison Schedule - Major Special Revenue Funds	36-37
Note to Required Supplemental Information	38
<b>Other Supplemental Information</b>	39
Nonmajor Governmental Funds:	
Combining Balance Sheet	40-41
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit)	42-43

## 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, 2013 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, 2013 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 19, 2013

# 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, 2013. 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, 2013:

- The City's taxable value decreased from \$170 million in 2012 to \$159 million in 2013. The taxable value of the City would have been greater if the Michigan constitutional amendment commonly known as "Proposal A" had not been enacted in 1994, resulting in a loss of potential revenue of more than \$532,000 in the 2012/2013 fiscal year, based upon the City's tax levy of 16.6526 mills. Tax revenue, the City's largest single revenue source, totaled \$2.5 million in the General Fund this year, representing an increase of 4.9 percent from last fiscal year. This increase primarily reflects a tax base sharing agreement with TIFA.
- State-shared revenue, a major source of revenue for the City's General Fund, increased for the year. The City received \$480,453 in the 2012/2013 fiscal year, an increase of \$59,312, or 14.1 percent, from last year. The current year amount represents a reduction of \$204,263, or 30 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 \$194,718, a reduction of \$144,437, or 42.6 percent, from the previous year. This reduction reflects a continuing effort by the City Council and administration to maintain a "pay-as-you-go" basis for funding the General Fund, streets, and capital projects to minimize the need to incur additional debt. The City now sets aside an amount equal to 2 mills of the general operating tax levy for completion of its 20 plus year street improvement program and reviews water and sewer rate structures annually to ensure an acceptable level of working capital is maintained, while providing the funding necessary to complete the utility capital improvement program.
- Total fund balance for the City's governmental funds increased by \$92,858, primarily as a result of decreased expenses and a tax based sharing agreement with TIFA.

# 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, 2013 and 2012:

	Governmental		Business-type		Total	
	2013	2012	2013	2012	2013	2012
<b>Assets</b>						
Current assets	\$ 2,517	\$ 2,515	\$ 4,553	\$ 4,461	\$ 7,070	\$ 6,976
Noncurrent assets - Capital assets	8,612	8,547	17,180	17,543	25,792	26,090
Total assets	11,129	11,062	21,733	22,004	32,862	33,066
<b>Liabilities</b>						
Current liabilities	228	320	35	9	263	329
Long-term liabilities	195	339	3,087	3,265	3,282	3,604
Total liabilities	423	659	3,122	3,274	3,545	3,933
<b>Net Position</b>						
Net investment in capital assets	8,612	8,399	14,139	14,322	22,751	22,721
Restricted	450	490	539	519	989	1,009
Unrestricted	1,644	1,514	3,933	3,889	5,577	5,403
Total net position	<u>\$ 10,706</u>	<u>\$ 10,403</u>	<u>\$ 18,611</u>	<u>\$ 18,730</u>	<u>\$ 29,317</u>	<u>\$ 29,133</u>

# City of Richmond, Michigan

## Management's Discussion and Analysis (Continued)

The City's combined net position for both governmental and business-type activities total \$29.3 million for fiscal year 2013. 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 \$23.7 million. Unrestricted net position, the part of net position that can be used to finance day-to-day operations, total approximately \$5.6 million.

The following table shows the change in net position for the years ended June 30, 2013 and 2012 (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 760	\$ 998	\$ 1,744	\$ 1,706	\$ 2,504	\$ 2,704
Operating grants and contributions	384	428	-	-	384	428
Capital grants and contributions	335	228	16	-	351	228
General revenue:						
Property taxes	2,469	2,354	-	-	2,469	2,354
State-shared revenue	480	421	-	-	480	421
Interest	3	5	2	4	5	9
Franchise fees	90	86	-	-	90	86
Miscellaneous	35	34	-	-	35	34
Total revenue	4,556	4,554	1,762	1,710	6,318	6,264
<b>Program Expenses</b>						
General government	913	939	-	-	913	939
Public safety	1,746	1,822	-	-	1,746	1,822
Public works	1,009	923	-	-	1,009	923
Community development	66	86	-	-	66	86
Recreation and culture	519	541	-	-	519	541
Water and sewer	-	-	1,881	1,922	1,881	1,922
Total program expenses	4,253	4,311	1,881	1,922	6,134	6,233
<b>Change in Net Position</b>	<b>\$ 303</b>	<b>\$ 243</b>	<b>\$ (119)</b>	<b>\$ (212)</b>	<b>\$ 184</b>	<b>\$ 31</b>

### Governmental Activities

Governmental activities are those activities (such as public safety or health and human services) 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 \$4.3 million for fiscal year 2013. Additionally, revenue for governmental activities totaled approximately \$4.6 million, which netted to an increase in net position for the year of approximately \$303,000.

# **City of Richmond, Michigan**

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

The City experienced a decline in charges for services revenue in the current year of approximately 24 percent. This decline primarily relates to the loss of rental income from the Michigan State Police, who were renting a portion of the police station.

### **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 \$1.1 million in 2013. 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 \$93,000. During the year ended June 30, 2013, the most significant budget amendments increased General Fund property tax revenues as well as Major and Local Streets Funds capital improvement expenses.

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

#### **Capital Assets**

At the end of fiscal year 2013, the City had \$25.8 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, 2013 is approximately \$3.3 million. Of this amount, \$3.0 million represents general obligation bonds. See Note 6 for additional details.

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

At this time, it appears the national economy is beginning to show signs of recovery. The national unemployment rate has decreased from 8.6 percent a year ago to 7.6 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 2014, 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 \$37,000 decrease in property tax revenue. The City will again utilize a sharing agreement with the TIFA that will result in an additional \$150,000 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, 2013

	Primary Government			Component Unit - Tax Increment Finance Authority
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents (Note 3)	\$ 2,390,080	\$ 3,606,153	\$ 5,996,233	\$ 2,062,405
Receivables:				
Customers	-	408,101	408,101	-
Due from other governmental units	116,209	-	116,209	-
Special assessments	10,668	-	10,668	-
Due from primary government	-	-	-	143,821
Restricted assets (Notes 3 and 7)	-	539,079	539,079	-
Land held for resale	-	-	-	104,206
Capital assets (Note 4):				
Assets not subject to depreciation	120,000	157,042	277,042	-
Assets subject to depreciation	8,491,562	17,023,081	25,514,643	2,742,349
Total assets	11,128,519	21,733,456	32,861,975	5,052,781
<b>Liabilities</b>				
Accounts payable	57,938	34,905	92,843	6,403
Due to component units	143,821	-	143,821	-
Accrued liabilities and other	25,900	-	25,900	-
Noncurrent liabilities (Note 6):				
Due within one year	71,377	201,132	272,509	-
Due in more than one year	123,341	2,886,008	3,009,349	-
Total liabilities	422,377	3,122,045	3,544,422	6,403
<b>Net Position</b>				
Net investment in capital assets	8,611,562	14,139,209	22,750,771	2,742,349
Restricted for:				
Roads	331,690	-	331,690	-
Capital projects	-	539,079	539,079	-
Library - Nonexpendable	10,000	-	10,000	-
Library - Expendable	52,529	-	52,529	-
Mausoleum	56,619	-	56,619	-
Unrestricted	1,643,742	3,933,123	5,576,865	2,304,029
Total net position	<u>\$ 10,706,142</u>	<u>\$ 18,611,411</u>	<u>\$ 29,317,553</u>	<u>\$ 5,046,378</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	\$ 912,785	\$ 17,212	\$ 2,235	\$ -
Public safety	1,746,375	194,313	-	-
Public works	1,008,694	409,818	363,398	212,178
Community development	65,656	18,460	8,106	122,791
Recreation and culture	518,621	119,842	10,697	-
Total governmental activities	4,252,131	759,645	384,436	334,969
Business-type activities:				
Water	778,251	757,418	-	-
Sewer	1,090,846	986,553	-	-
WWTP equipment replacement	12,077	-	-	15,986
Total business-type activities	1,881,174	1,743,971	-	15,986
Total primary government	<u>\$ 6,133,305</u>	<u>\$ 2,503,616</u>	<u>\$ 384,436</u>	<u>\$ 350,955</u>
Component unit - Tax Increment Finance Authority	<u>\$ 1,034,589</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, 2013

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit - Tax Increment Finance Authority
Governmental Activities	Business-type Activities	Total	
\$ (893,338)	\$ -	\$ (893,338)	\$ -
(1,552,062)	-	(1,552,062)	-
(23,300)	-	(23,300)	-
83,701	-	83,701	-
(388,082)	-	(388,082)	-
(2,773,081)	-	(2,773,081)	-
-	(20,833)	(20,833)	-
-	(104,293)	(104,293)	-
-	3,909	3,909	-
-	(121,217)	(121,217)	-
(2,773,081)	(121,217)	(2,894,298)	-
-	-	-	(1,034,589)
2,468,701	-	2,468,701	446,994
480,453	-	480,453	-
2,513	2,641	5,154	3,129
89,904	-	89,904	-
34,620	-	34,620	-
3,076,191	2,641	3,078,832	450,123
303,110	(118,576)	184,534	(584,466)
10,403,032	18,729,987	29,133,019	5,630,844
<b>\$ 10,706,142</b>	<b>\$ 18,611,411</b>	<b>\$ 29,317,553</b>	<b>\$ 5,046,378</b>

# City of Richmond, Michigan

## Governmental Funds Balance Sheet June 30, 2013

	General Fund	Major Streets Fund	Local Streets Fund	Other Nonmajor Governmental Funds	Total
<b>Assets</b>					
Cash and cash equivalents (Note 3)	\$ 1,246,278	\$ 235,155	\$ 66,342	\$ 842,305	\$ 2,390,080
Receivables:					
Special assessments receivable	10,668	-	-	-	10,668
Due from other governmental units	85,515	23,267	7,427	-	116,209
<b>Total assets</b>	<b>\$ 1,342,461</b>	<b>\$ 258,422</b>	<b>\$ 73,769</b>	<b>\$ 842,305</b>	<b>\$ 2,516,957</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 41,937	\$ 180	\$ 321	\$ 15,500	\$ 57,938
Due to component units	-	-	-	143,821	143,821
Accrued liabilities and other	25,900	-	-	-	25,900
Deferred revenue (Note 8)	89,436	-	-	-	89,436
<b>Total liabilities</b>	<b>157,273</b>	<b>180</b>	<b>321</b>	<b>159,321</b>	<b>317,095</b>
<b>Fund Balances</b>					
Nonspendable - Library endowment	-	-	-	10,000	10,000
Restricted:					
Roads	-	258,242	73,448	-	331,690
Library	-	-	-	52,529	52,529
Mausoleum	-	-	-	56,619	56,619
Committed:					
Parks and recreation	-	-	-	56,534	56,534
Cemetery	-	-	-	37,091	37,091
Assigned:					
Subsequent year's budget	56,103	-	-	-	56,103
Capital projects	-	-	-	496,426	496,426
Unassigned	1,129,085	-	-	(26,215)	1,102,870
<b>Total fund balances</b>	<b>1,185,188</b>	<b>258,242</b>	<b>73,448</b>	<b>682,984</b>	<b>2,199,862</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,342,461</b>	<b>\$ 258,422</b>	<b>\$ 73,769</b>	<b>\$ 842,305</b>	<b>\$ 2,516,957</b>

# City of Richmond, Michigan

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## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2013

<b>Fund Balance Reported in Governmental Funds</b>	\$ 2,199,862
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	8,611,562
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	10,668
Receivables from other governmental units collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds	78,768
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>(194,718)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 10,706,142</u></b>

# City of Richmond, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2013

	General Fund	Major Streets Fund	Local Streets Fund	Other Nonmajor Governmental Funds	Total
<b>Revenue</b>					
Property taxes	\$ 2,468,701	\$ -	\$ -	\$ -	\$ 2,468,701
Licenses and permits	120,252	-	-	-	120,252
Federal sources	-	-	-	128,582	128,582
State-shared revenue and grants	497,338	268,811	96,365	-	862,514
Charges for services	420,474	-	-	222,514	642,988
Fines and forfeitures	49,880	-	-	-	49,880
Interest	2,279	-	-	234	2,513
Other revenue:					
Special assessments	1,778	-	-	-	1,778
Donations	4,208	-	-	211,701	215,909
Other miscellaneous income	54,999	161	44	6,463	61,667
Total revenue	<u>3,619,909</u>	<u>268,972</u>	<u>96,409</u>	<u>569,494</u>	<u>4,554,784</u>
<b>Expenditures - Current</b>					
General government	529,264	-	-	-	529,264
Public service	-	-	-	65,203	65,203
Public safety	1,510,078	-	-	207,035	1,717,113
Public works	617,077	455,604	214,537	-	1,287,218
Recreation and culture	265,745	-	-	225,521	491,266
Capital outlay	-	-	-	131,569	131,569
Debt service - Principal	117,502	-	-	122,791	240,293
Total expenditures	<u>3,039,666</u>	<u>455,604</u>	<u>214,537</u>	<u>752,119</u>	<u>4,461,926</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	580,243	(186,632)	(118,128)	(182,625)	92,858
<b>Other Financing Sources (Uses)</b>					
Transfers in (Note 5)	49,072	230,797	114,434	439,923	834,226
Transfers out (Note 5)	(439,923)	(30,000)	-	(364,303)	(834,226)
Total other financing (uses) sources	<u>(390,851)</u>	<u>200,797</u>	<u>114,434</u>	<u>75,620</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	189,392	14,165	(3,694)	(107,005)	92,858
<b>Fund Balances - Beginning of year</b>	<u>995,796</u>	<u>244,077</u>	<u>77,142</u>	<u>789,989</u>	<u>2,107,004</u>
<b>Fund Balances - End of year</b>	<u>\$ 1,185,188</u>	<u>\$ 258,242</u>	<u>\$ 73,448</u>	<u>\$ 682,984</u>	<u>\$ 2,199,862</u>

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

# 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, 2013**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 92,858</b>
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	463,736
Depreciation expense	(382,392)
Net book value of assets transferred to WWTP Equipment Replacement Fund	(15,986)
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	2,235
Payment on capital lease is an expenditure in the governmental funds, but not in the statement of activities	147,040
Increase 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	(2,603)
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 303,110</u></b>

# City of Richmond, Michigan

## Proprietary Funds Statement of Net Position June 30, 2013

	Major Enterprise Funds		Nonmajor Enterprise - WWTP Equipment Replacement	Total
	Water Fund	Sewer Fund		
<b>Assets</b>				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 423,399	\$ 2,667,999	\$ 514,755	\$ 3,606,153
Receivables - Customers	184,482	223,619	-	408,101
Total current assets	607,881	2,891,618	514,755	4,014,254
Noncurrent assets:				
Restricted assets (Note 7)	-	539,079	-	539,079
Capital assets (Note 4):				
Assets not subject to depreciation	128,983	28,059	-	157,042
Assets subject to depreciation	5,470,401	11,409,900	142,780	17,023,081
Total noncurrent assets	5,599,384	11,977,038	142,780	17,719,202
Total assets	6,207,265	14,868,656	657,535	21,733,456
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	5,046	29,859	-	34,905
Current portion of compensated absences (Note 6)	10,158	5,974	-	16,132
Current portion of long-term debt (Note 6)	-	185,000	-	185,000
Total current liabilities	15,204	220,833	-	236,037
Noncurrent liabilities:				
Long-term portion of compensated absences (Note 6)	17,273	12,821	-	30,094
Long-term debt (Note 6)	-	2,855,914	-	2,855,914
Total noncurrent liabilities	17,273	2,868,735	-	2,886,008
Total liabilities	32,477	3,089,568	-	3,122,045
<b>Net Position</b>				
Net investment in capital assets	5,599,384	8,397,045	142,780	14,139,209
Restricted (Note 7)	-	539,079	-	539,079
Unrestricted	575,404	2,842,964	514,755	3,933,123
Total net position	<b>\$ 6,174,788</b>	<b>\$11,779,088</b>	<b>\$ 657,535</b>	<b>\$18,611,411</b>

# City of Richmond, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2013

	<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	\$ 731,966	\$ 965,270	\$ -	\$ 1,697,236
Tap-in fees	70	-	-	70
Charges for services	2,650	-	-	2,650
Penalties	10,728	14,333	-	25,061
Miscellaneous	12,004	6,950	-	18,954
Total operating revenue	<u>757,418</u>	<u>986,553</u>	-	<u>1,743,971</u>
<b>Operating Expenses</b>				
Water production	162,397	-	-	162,397
Sewer treatment plant	-	382,052	1,535	383,587
Administration	130,316	137,126	-	267,442
Water system	317,871	-	-	317,871
Sewer system	-	147,247	-	147,247
Depreciation	167,667	364,328	10,542	542,537
Total operating expenses	<u>778,251</u>	<u>1,030,753</u>	<u>12,077</u>	<u>1,821,081</u>
<b>Operating Loss</b>	(20,833)	(44,200)	(12,077)	(77,110)
<b>Nonoperating Revenue (Expenses)</b>				
Investment income	635	937	1,069	2,641
Interest expense	-	(60,093)	-	(60,093)
Total nonoperating revenue (expenses)	<u>635</u>	<u>(59,156)</u>	<u>1,069</u>	<u>(57,452)</u>
<b>Loss - Before capital contributions and transfers</b>	(20,198)	(103,356)	(11,008)	(134,562)
<b>Capital Contributions</b>	-	-	15,986	15,986
<b>Transfers In</b> (Note 5)	19,740	-	27,025	46,765
<b>Transfers Out</b> (Note 5)	-	(46,765)	-	(46,765)
<b>Change in Net Position</b>	(458)	(150,121)	32,003	(118,576)
<b>Net Position - Beginning of year</b>	<u>6,175,246</u>	<u>11,929,209</u>	<u>625,532</u>	<u>18,729,987</u>
<b>Net Position - End of year</b>	<u>\$ 6,174,788</u>	<u>\$ 11,779,088</u>	<u>\$ 657,535</u>	<u>\$ 18,611,411</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, 2013

	Major Enterprise Funds		Nonmajor Enterprise - WWTP Equipment Replacement	Total
	Water Fund	Sewer Fund		
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 755,250	\$ 986,203	\$ -	\$ 1,741,453
Payments to suppliers, employees, and other funds	(611,197)	(637,851)	(1,535)	(1,250,583)
Net cash provided by (used in) operating activities	144,053	348,352	(1,535)	490,870
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers from other funds	19,740	-	27,025	46,765
Transfers to other funds	-	(46,765)	-	(46,765)
Net cash provided by (used in) noncapital financing activities	19,740	(46,765)	27,025	-
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchase of capital assets	(13,848)	(11,993)	(137,336)	(163,177)
Principal and interest paid on capital debt	-	(240,093)	-	(240,093)
Net cash used in capital and related financing activities	(13,848)	(252,086)	(137,336)	(403,270)
<b>Cash Flows from Investing Activities</b> - Interest received on investments	635	937	1,069	2,641
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	150,580	50,438	(110,777)	90,241
<b>Cash and Cash Equivalents</b> - Beginning of year	272,819	3,156,640	625,532	4,054,991
<b>Cash and Cash Equivalents</b> - End of year	<u>\$ 423,399</u>	<u>\$ 3,207,078</u>	<u>\$ 514,755</u>	<u>\$ 4,145,232</u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>				
Cash and investments	\$ 423,399	\$ 2,667,999	\$ 514,755	\$ 3,606,153
Restricted cash	-	539,079	-	539,079
Total cash and cash equivalents	<u>\$ 423,399</u>	<u>\$ 3,207,078</u>	<u>\$ 514,755</u>	<u>\$ 4,145,232</u>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>				
Operating loss	\$ (20,833)	\$ (44,200)	\$ (12,077)	\$ (77,110)
Adjustments to reconcile operating loss to net cash from operating activities:				
Depreciation and amortization	167,667	364,328	10,542	542,537
Changes in assets and liabilities:				
Receivables	(2,168)	(350)	-	(2,518)
Inventories	679	1,330	-	2,009
Accounts payable	(1,292)	27,244	-	25,952
Net cash provided by (used in) operating activities	<u>\$ 144,053</u>	<u>\$ 348,352</u>	<u>\$ (1,535)</u>	<u>\$ 490,870</u>

# City of Richmond, Michigan

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## Fiduciary Funds Statement of Fiduciary Assets and Liabilities Trust and Agency Fund June 30, 2013

<b>Assets</b>	
Cash (Note 3)	\$ 3,218
Taxes receivable	<u>482</u>
Total assets	<u>\$ 3,700</u>
<b>Liabilities - Accrued liabilities and other</b>	<u>\$ 3,700</u>

### **Note I - Nature of Business and Significant Accounting Policies**

The accounting policies of the City of Richmond, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City:

#### **Reporting Entity**

The City 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. As a discretely presented component unit, it 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 following component units are reported within the component units column to emphasize that they are legally separate from the City:

- a. The Tax Increment Finance 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.
- b. The Economic Development 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 Economic Development Corporation was inactive during 2013 and has no assets or liabilities.

#### **Government-wide and Fund Financial Statements**

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 unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

### **Note I - Nature of Business and 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 revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue.

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.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

### **Note I - Nature of Business and Significant Accounting Policies (Continued)**

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. General Fund activities are financed by revenue from general property taxes, state-shared revenue, and other sources.

The Major Streets Special Revenue Fund 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 Special Revenue Fund accounts for the activities related to local street construction. The City receives state gas and weight tax collection allocation to fund construction.

The City reports the following major proprietary funds:

The Water Fund accounts for the results of operations that provide water services to citizens and is financed by a user charge for the provision of those services.

The Sewer Fund accounts for the results of operations that provide sewer services to citizens and is financed by a user charge for the provision of those services.

Additionally, the City reports the following funds:

**Special Revenue Funds** - Special revenue funds account for the revenue and expenditures related to fire, housing and urban development, mausoleum, cemetery, and parks and recreation.

**Capital Projects Funds** - Capital projects funds account for the development of capital facilities and equipment other than those financed by the operation of a proprietary fund. These projects include vehicle and repairs, equipment replacement, special assessments, and street improvements.

**Agency Funds** - Agency funds are used to 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function 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.

### **Note I - Nature of Business and Significant Accounting Policies (Continued)**

Amounts reported as program revenue include (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. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

When an expense is incurred for purposes for which both restricted and unrestricted net position or fund balance are available, the City's policy is to first apply restricted resources unless unrestricted resources have been transferred in for that particular expense. When an expense is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the City's policy to spend funds in this order: committed, assigned, and unassigned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary funds relates to charges to customers for sales and services. The Water and Sewer Funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary 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.

#### **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 2012 taxable valuation of the City totaled \$159.2 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 \$2,345,596 for operating, which is recognized in the General Fund.

### Note I - Nature of Business and Significant Accounting Policies (Continued)

#### Assets, Liabilities, and Net Position or Equity

**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.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

**Noncurrent Receivables** - Noncurrent receivables, such as special assessments, are recorded at full value and deferred revenue is recorded for the portion not available for use to finance operations as of year end.

**Inventories and Prepaid Items** - Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase. Normally, expenditures are not divided between years by the recording of prepaid expenses.

**Capital Assets** - Capital assets, which include property, buildings, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and storm drains), 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:

Buildings and improvements	5 to 50 years
Vehicles and equipment	5 to 40 years
Utility systems	50 years
Infrastructure - Roads	25 years

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

**Compensated Absences (Vacation and Sick Leave)** - The City allows employees to accumulate earned but unused sick and vacation pay benefits. Under the City's policies, employees earn benefits based on time of service with the City. The government-wide and proprietary statements accrue all vacation and sick pay as it is earned. 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.

**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, as well as issuance costs, 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 reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable** - Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted** - Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed** - Amounts that have been formally set aside by the City Council for use for specific purposes. Commitments are made and can be rescinded only via resolution of the City Council.
- **Assigned** - Intent to spend resources on specific purposes expressed by the City Council

### **Note I - Nature of Business and Significant Accounting Policies (Continued)**

- **Unassigned** - Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

**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.

Other accounting policies are disclosed in other notes to the financial statements.

**Accounting and Reporting Change** - During the year, the City adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measures of net position, formerly net assets. The statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Since the City has no deferred outflows or inflows until adoption of GASB No. 65 (see below), the only impact of the adoption of GASB No. 63 on the City is a change in terminology from "net assets" to "net position."

**Upcoming Reporting Change** - In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented for financial statements for periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. GASB Statement No. 65 will be implemented for the City as of fiscal year 2013-2014.

# City of Richmond, Michigan

## Notes to Financial Statements June 30, 2013

### 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, 2013 is as follows:

<b>Accumulated Expenditures Over Revenue - July 1, 2012</b>	\$ (304,490)
Current year revenue	28,799
Current year expenditures - Direct costs	<u>71,424</u>
Excess of expenditures over revenue	<u>(42,625)</u>
<b>Accumulated Expenditures Over Revenue - June 30, 2013</b>	<u>\$ (347,115)</u>

**Fund Deficits** - The Fire Department Fund had a fund balance deficit of \$26,215 as of June 30, 2013. The deficit relates to an amount owed to the Tax Increment Finance Authority for the purchase of a fire truck in fiscal year 2010. The deficit will be eliminated as the Fire Department Fund uses future charges for services to repay the Tax Increment Finance Authority.

### 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.

# City of Richmond, Michigan

## Notes to Financial Statements June 30, 2013

### Note 3 - Deposits and Investments (Continued)

The City's cash and investments are subject to one type of 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 \$7,042,235 of bank deposits (certificates of deposit, 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 \$767,101 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.

### Note 4 - Capital Assets

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

	Balance July 1, 2012	Transfers	Additions	Disposals	Balance June 30, 2013
<b>Governmental Activities</b>					
Capital assets not being depreciated -					
Land	\$ 120,000	\$ -	\$ -	\$ -	\$ 120,000
Capital assets being depreciated:					
Infrastructure	3,663,899	-	316,956	-	3,980,855
Buildings and improvements	4,982,221	-	-	-	4,982,221
Vehicles and equipment	4,137,027	(53,055)	146,780	-	4,230,752
Subtotal	12,783,147	(53,055)	463,736	-	13,193,828
Accumulated depreciation:					
Infrastructure	241,305	-	13,029	-	254,334
Buildings and improvements	1,348,456	-	69,410	-	1,417,866
Vehicles and equipment	2,767,182	(37,069)	299,953	-	3,030,066
Subtotal	4,356,943	(37,069)	382,392	-	4,702,266
Net capital assets being depreciated	8,426,204	(15,986)	81,344	-	8,491,562
Net capital assets	\$ 8,546,204	\$ (15,986)	\$ 81,344	\$ -	\$ 8,611,562

# City of Richmond, Michigan

## Notes to Financial Statements June 30, 2013

### Note 4 - Capital Assets (Continued)

<b>Business-type Activities</b>	Balance July 1, 2012	Transfers	Additions	Disposals	Balance June 30, 2013
Capital assets not being depreciated -					
Land	\$ 157,042	\$ -	\$ -	\$ -	\$ 157,042
Capital assets being depreciated:					
Utility systems	16,360,697	-	21,273	-	16,381,970
Buildings	9,482,050	-	4,568	-	9,486,618
Vehicles and equipment	735,431	53,055	137,336	-	925,822
Subtotal	26,578,178	53,055	163,177	-	26,794,410
Accumulated depreciation:					
Utility systems	4,887,840	-	386,802	-	5,274,642
Buildings	3,636,537	-	122,881	-	3,759,418
Vehicles and equipment	667,346	37,069	32,854	-	737,269
Subtotal	9,191,723	37,069	542,537	-	9,771,329
Net capital assets being depreciated	17,386,455	15,986	(379,360)	-	17,023,081
Net capital assets	<u>\$ 17,543,497</u>	<u>\$ 15,986</u>	<u>\$ (379,360)</u>	<u>\$ -</u>	<u>\$ 17,180,123</u>
<b>Component Units</b>	Balance July 1, 2012	Transfers	Additions	Disposals	Balance June 30, 2013
Capital assets being depreciated:					
Infrastructure	\$ 2,112,887	\$ -	\$ 2,810	\$ -	\$ 2,115,697
Buildings and improvements	167,857	-	4,000	-	171,857
Furniture and fixtures	156,942	-	6,000	-	162,942
Land improvements	729,704	-	-	-	729,704
Subtotal	3,167,390	-	12,810	-	3,180,200
Accumulated depreciation:					
Infrastructure	201,275	-	35,053	-	236,328
Buildings and improvements	86,217	-	13,624	-	99,841
Furniture and fixtures	36,795	-	12,186	-	48,981
Land improvements	40,093	-	12,608	-	52,701
Subtotal	364,380	-	73,471	-	437,851
Net capital assets being depreciated	2,803,010	-	(60,661)	-	2,742,349
Net capital assets	<u>\$ 2,803,010</u>	<u>\$ -</u>	<u>\$ (60,661)</u>	<u>\$ -</u>	<u>\$ 2,742,349</u>

# City of Richmond, Michigan

## Notes to Financial Statements June 30, 2013

### Note 4 - Capital Assets (Continued)

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

Governmental activities:		
General government	\$	284,929
Public safety		74,765
Recreation and culture		<u>22,698</u>
Total governmental activities	\$	<u>382,392</u>
Business-type activities:		
Water lines	\$	167,667
Sewer lines		364,328
WWTP equipment		<u>10,542</u>
Total business-type activities	\$	<u>542,537</u>

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

At June 30, 2013, \$66,621 was due to the Tax Increment Finance Authority from the Fire Department Fund related to the purchase of a fire truck. The amount will be paid in two equal payments through 2015. At June 30, 2013, \$77,200 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 five equal payments through 2018.

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	\$ 439,923
Major Streets Fund	Local Streets Fund	30,000
Nonmajor governmental funds	General Fund	49,072
	Major Streets Fund	230,797
	Local Streets Fund	<u>84,434</u>
	Total nonmajor governmental funds	364,303
Sewer Fund	Water Fund	19,740
	Nonmajor enterprise fund	<u>27,025</u>
	Total Sewer Fund	<u>46,765</u>
	Total	<u>\$ 880,991</u>

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

# City of Richmond, Michigan

## Notes to Financial Statements June 30, 2013

### 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:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
Capital lease obligation - Community Center:							
Amount of issue - \$365,405							
Maturing through 2018		\$16,940 -					
(Paid in advance)	- %	\$26,020	\$ 147,040	\$ -	\$ 147,040	\$ -	\$ -
Compensated absences			192,115	2,603	-	194,718	71,377
Total governmental activities			\$ 339,155	\$ 2,603	\$ 147,040	\$ 194,718	\$ 71,377
<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	\$ 880,000	\$ -	\$ 40,000	\$ 840,000	\$ 40,000
General obligation bonds - 2007							
Sewage Disposal System Revolving Loan:							
Amount of issue - \$3,010,914		\$140,000 -					
Maturing through 2027	1.625%	\$170,000	2,340,914	-	140,000	2,200,914	145,000
Total bonds payable			3,220,914	-	180,000	3,040,914	185,000
Compensated absences			44,217	2,009	-	46,226	16,132
Total business-type activities			\$ 3,265,131	\$ 2,009	\$ 180,000	\$ 3,087,140	\$ 201,132

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.

# City of Richmond, Michigan

## Notes to Financial Statements June 30, 2013

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

Total interest expense for the year was approximately \$60,000. 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
2014	\$ 185,000	\$ 56,765	\$ 241,765
2015	185,000	53,409	238,409
2016	190,000	50,052	240,052
2017	195,000	46,615	241,615
2018	195,000	43,052	238,052
2019-2023	1,040,000	160,312	1,200,312
2024-2028	930,914	61,884	992,798
2029-2030	120,000	4,500	124,500
Total	<u>\$ 3,040,914</u>	<u>\$ 476,589</u>	<u>\$ 3,517,503</u>

### Note 7 - Restricted Net Position

Restricted assets at June 30, 2013 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.

### Note 8 - Receivables and Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, deferred revenue of \$10,668 relates to special assessment receivables and \$78,768 relates to intergovernmental receivables. Both amounts are unavailable to liquidate liabilities of the current period.

### Note 9 - 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 \$117,502 during the year ended June 30, 2013 when the taxable value of the area was approximately \$33,818,000.

# City of Richmond, Michigan

## Notes to Financial Statements June 30, 2013

### Note 9 - Commitments (Continued)

During the year ending June 30, 2014, the City will pay approximately \$109,000, based on an estimated taxable value of \$31,000,000. Future installment payments have been estimated assuming inflationary increases of 3 percent per year after 2014.

The estimated annual payment requirements to service the agreement as of June 30, 2013 are as follows:

2014	\$ 109,000
2015	112,270
2016	115,638
2017	119,107
2018	122,680
2019	<u>126,361</u>
Total	<u>\$ 705,056</u>

### Note 10 - 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 11 - Defined Contribution Pension Plan

The City provides pension benefits to all of its full-time employees through a defined contribution plan. 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 \$148,493 during the current year and employees contributed \$125,602.

## **Required Supplemental Information**

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# City of Richmond, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 2,270,581	\$ 2,468,959	\$ 2,468,701	\$ (258)
Licenses and permits	108,454	118,358	120,252	1,894
State-shared revenue and grants	424,086	431,195	497,338	66,143
Charges for services:				
Trash collection	276,000	281,526	281,526	-
Fees	13,000	13,000	16,817	3,817
Rentals	116,350	116,350	122,131	5,781
Fines and forfeitures:				
Traffic fines and penalties	28,500	28,500	23,572	(4,928)
Library fines	25,400	25,400	26,308	908
Interest	2,000	2,000	2,279	279
Other revenue:				
Special assessments	1,778	1,778	1,778	-
Donations	4,000	4,000	4,208	208
Other miscellaneous income	38,425	53,525	54,999	1,474
Total revenue	3,308,574	3,544,591	3,619,909	75,318
<b>Expenditures - Current</b>				
General government:				
City Council	21,940	21,940	20,954	986
City manager	112,692	112,692	107,604	5,088
Cable television	33,600	33,600	31,479	2,121
Treasurer	64,188	64,188	62,546	1,642
Assessor	35,199	35,199	35,159	40
Board of Review	17,035	18,035	17,498	537
Clerk	101,733	101,733	99,485	2,248
Elections	12,486	13,521	13,487	34
Buildings and grounds	31,390	32,886	32,954	(68)
Attorney	22,300	28,300	27,577	723
Building and grounds - Police	98,832	98,832	80,521	18,311
Total general government	551,395	560,926	529,264	31,662
Public safety:				
Police	1,116,290	1,120,840	1,074,129	46,711
Communications	266,162	266,162	226,486	39,676
Civil defense/emergency preparedness	1,300	1,300	850	450
Traffic safety	23,453	23,453	18,982	4,471
Building and trade inspections	74,604	75,101	71,921	3,180
Planning	66,622	66,622	64,833	1,789
Public service director	55,829	55,829	52,877	2,952
Total public safety	1,604,260	1,609,307	1,510,078	99,229

# City of Richmond, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Expenditures - Current (Continued)</b>				
Public works:				
Department of Public Works	\$ 263,077	\$ 257,763	\$ 220,696	\$ 37,067
Refuse collection and disposal	268,150	271,150	270,864	286
Street lighting	112,500	125,525	125,517	8
Total public works	643,727	654,438	617,077	37,361
Recreation and culture - Library	280,384	280,384	265,745	14,639
Debt service - Principal	121,743	121,743	117,502	4,241
Total expenditures	3,201,509	3,226,798	3,039,666	187,132
<b>Excess of Revenue Over Expenditures</b>	107,065	317,793	580,243	262,450
<b>Other Financing Sources (Uses)</b>				
Transfers in	49,072	49,072	49,072	-
Transfers out	(463,262)	(479,500)	(439,923)	39,577
Total other financing uses	(414,190)	(430,428)	(390,851)	39,577
<b>Net Change in Fund Balance</b>	(307,125)	(112,635)	189,392	302,027
<b>Fund Balance - Beginning of year</b>	995,796	995,796	995,796	-
<b>Fund Balance - End of year</b>	<u>\$ 688,671</u>	<u>\$ 883,161</u>	<u>\$ 1,185,188</u>	<u>\$ 302,027</u>

# City of Richmond, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Major Streets Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
State-shared revenue and grants	\$ 224,897	\$ 224,897	\$ 268,811	\$ 43,914
Other revenue - Other miscellaneous income	100	160	161	1
Total revenue	224,997	225,057	268,972	43,915
<b>Expenditures - Current - Public works</b>				
Capital improvements	215,874	257,797	263,440	(5,643)
Routine maintenance	90,484	96,201	99,345	(3,144)
Winter maintenance	80,005	65,909	65,558	351
Traffic services	24,259	24,366	17,569	6,797
Administration	9,764	9,764	9,692	72
Total expenditures	420,386	454,037	455,604	(1,567)
<b>Excess of Expenditures Over Revenue</b>	(195,389)	(228,980)	(186,632)	42,348
<b>Other Financing Sources (Uses)</b>				
Transfers in	190,874	230,797	230,797	-
Transfers out	(30,000)	(30,000)	(30,000)	-
Total other financing sources	160,874	200,797	200,797	-
<b>Net Change in Fund Balance</b>	(34,515)	(28,183)	14,165	42,348
<b>Fund Balance - Beginning of year</b>	244,077	244,077	244,077	-
<b>Fund Balance - End of year</b>	<u>\$ 209,562</u>	<u>\$ 215,894</u>	<u>\$ 258,242</u>	<u>\$ 42,348</u>

# City of Richmond, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Local Streets Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
State-shared revenue and grants	\$ 78,282	\$ 78,282	\$ 96,365	\$ 18,083
Other revenue - Other miscellaneous income	100	43	44	1
Total revenue	78,382	78,325	96,409	18,084
<b>Expenditures - Current - Public works</b>				
Capital improvements	53,728	84,434	84,583	(149)
Routine maintenance	76,548	82,629	84,255	(1,626)
Winter maintenance	44,060	30,043	30,041	2
Traffic services	7,785	12,230	9,173	3,057
Administration	6,533	6,533	6,485	48
Total expenditures	188,654	215,869	214,537	1,332
<b>Excess of Expenditures Over Revenue</b>	(110,272)	(137,544)	(118,128)	19,416
<b>Other Financing Sources - Transfers in</b>	83,728	114,434	114,434	-
<b>Net Change in Fund Balance</b>	(26,544)	(23,110)	(3,694)	19,416
<b>Fund Balance - Beginning of year</b>	77,142	77,142	77,142	-
<b>Fund Balance - End of year</b>	<u>\$ 50,598</u>	<u>\$ 54,032</u>	<u>\$ 73,448</u>	<u>\$ 19,416</u>

# City of Richmond, Michigan

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## **Note to Required Supplemental Information Year Ended June 30, 2013**

**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 did not incur any significant expenditures that were in excess of the amounts budgeted.

## **Other Supplemental Information**

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# City of Richmond, Michigan

		Special Revenue Funds				
		Fire	Housing and Urban		Parks and Recreation	
<b>Assets</b>		<u>Department</u>	<u>Mausoleum</u>	<u>Development</u>	<u>Cemetery</u>	<u>Recreation</u>
Cash and investments		<u>\$ 48,102</u>	<u>\$ 56,619</u>	<u>\$ -</u>	<u>\$ 37,470</u>	<u>\$ 63,959</u>
<b>Liabilities and Fund Balances (Deficit)</b>						
<b>Liabilities</b>						
Accounts payable		\$ 7,696	\$ -	\$ -	\$ 379	\$ 7,425
Due to component units		66,621	-	-	-	-
Total liabilities		74,317	-	-	379	7,425
<b>Fund Balances (Deficit)</b>						
Nonspendable		-	-	-	-	-
Restricted		-	56,619	-	-	-
Committed		-	-	-	37,091	56,534
Assigned		-	-	-	-	-
Unassigned		(26,215)	-	-	-	-
Total fund balances (deficit)		(26,215)	56,619	-	37,091	56,534
Total liabilities and fund balances (deficit)		<u>\$ 48,102</u>	<u>\$ 56,619</u>	<u>\$ -</u>	<u>\$ 37,470</u>	<u>\$ 63,959</u>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2013**

<u>Capital Projects Funds</u>			<u>Permanent Fund</u>	Total Nonmajor Governmental Funds
<u>Vehicle and Repairs</u>	<u>Street Improvement</u>	<u>Sidewalk Assistance</u>	<u>Library Endowment</u>	
<b><u>\$ 77,200</u></b>	<b><u>\$ 496,426</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 62,529</u></b>	<b><u>\$ 842,305</u></b>
\$ -	\$ -	\$ -	\$ -	\$ 15,500
77,200	-	-	-	143,821
77,200	-	-	-	159,321
-	-	-	10,000	10,000
-	-	-	52,529	109,148
-	-	-	-	93,625
-	496,426	-	-	496,426
-	-	-	-	(26,215)
-	496,426	-	62,529	682,984
<b><u>\$ 77,200</u></b>	<b><u>\$ 496,426</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 62,529</u></b>	<b><u>\$ 842,305</u></b>

# City of Richmond, Michigan

	Special Revenue Funds				
	Fire Department	Mausoleum	Housing and Urban Development	Cemetery	Parks and Recreation
<b>Revenue</b>					
Federal sources	\$ -	\$ -	\$ 122,791	\$ -	\$ 5,791
Charges for services	120,288	588	-	17,822	83,816
Interest	-	-	-	234	-
Other revenue:					
Donations	-	-	-	300	1,001
Other miscellaneous income	1,842	-	-	50	4,571
<b>Total revenue</b>	<b>122,130</b>	<b>588</b>	<b>122,791</b>	<b>18,406</b>	<b>95,179</b>
<b>Expenditures - Current</b>					
Public service	-	760	-	64,443	-
Public safety	207,035	-	-	-	-
Recreation and culture	-	-	-	-	225,521
Capital outlay	-	-	-	-	-
Debt service - Principal	-	-	122,791	-	-
<b>Total expenditures</b>	<b>207,035</b>	<b>760</b>	<b>122,791</b>	<b>64,443</b>	<b>225,521</b>
<b>Excess of Revenue (Under) Over Expenditures</b>	<b>(84,905)</b>	<b>(172)</b>	<b>-</b>	<b>(46,037)</b>	<b>(130,342)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	132,315	-	-	30,000	150,000
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>132,315</b>	<b>-</b>	<b>-</b>	<b>30,000</b>	<b>150,000</b>
<b>Net Change in Fund Balances</b>	<b>47,410</b>	<b>(172)</b>	<b>-</b>	<b>(16,037)</b>	<b>19,658</b>
<b>Fund Balances (Deficit) - Beginning of year</b>	<b>(73,625)</b>	<b>56,791</b>	<b>-</b>	<b>53,128</b>	<b>36,876</b>
<b>Fund Balances (Deficit) - End of year</b>	<b>\$ (26,215)</b>	<b>\$ 56,619</b>	<b>\$ -</b>	<b>\$ 37,091</b>	<b>\$ 56,534</b>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes in**  
**Fund Balances (Deficit)**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2013**

Capital Projects Funds			Permanent Fund	Total Nonmajor Governmental Funds
Vehicle and Repairs	Street Improvement	Sidewalk Assistance	Library Endowment	
\$ -	\$ -	\$ -	\$ -	\$ 128,582
-	-	-	-	222,514
-	-	-	-	234
32,400	178,000	-	-	211,701
-	-	-	-	6,463
32,400	178,000	-	-	569,494
-	-	-	-	65,203
-	-	-	-	207,035
-	-	-	-	225,521
131,569	-	-	-	131,569
-	-	-	-	122,791
131,569	-	-	-	752,119
(99,169)	178,000	-	-	(182,625)
25,608	102,000	-	-	439,923
-	(315,231)	(49,072)	-	(364,303)
25,608	(213,231)	(49,072)	-	75,620
(73,561)	(35,231)	(49,072)	-	(107,005)
73,561	531,657	49,072	62,529	789,989
<b>\$ -</b>	<b>\$ 496,426</b>	<b>\$ -</b>	<b>\$ 62,529</b>	<b>\$ 682,984</b>