

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2011

CITY OF RICHMOND

WAYNE COUNTY, INDIANA



FILED
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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Tammy S. Glenn	01-01-11 to 12-31-12
Mayor	Sarah L. Hutton	01-01-08 to 12-31-15
President of the Board of Public Works and Safety	Vicki A. Robinson	01-01-11 to 12-31-12
President of the Common Council	Diana Pappin Phil Quinn	01-01-11 to 12-31-11 01-01-12 to 12-31-12
President of the Board of Sanitary Commissioners	Richard Bodiker	01-01-11 to 12-31-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

TO: THE OFFICIALS OF THE CITY OF RICHMOND, WAYNE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Richmond (City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2011, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued our report dated July 16, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the, Schedule of Funding Progress, as listed in the Table of Contents, be presented to supplement the basis financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The Combining Schedules and the Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements as a whole.

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Capital Assets and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

The City's response to the Audit Result and Comment identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, Common Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 16, 2012



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

TO: THE OFFICIALS OF THE CITY OF RICHMOND, WAYNE COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Richmond (City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material, as defined above.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the City's management, the Common Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 16, 2012

CITY OF RICHMOND
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2011

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 3,609,373	\$ 1,415,065	\$ -	\$ -	\$ (2,194,308)	\$ -	\$ (2,194,308)
Public safety	14,318,805	795,016	35,282	-	(13,488,507)	-	(13,488,507)
Highways and streets	5,540,220	34,225	1,622,103	499,797	(3,384,095)	-	(3,384,095)
Economic development	2,781,905	293,272	-	-	(2,488,633)	-	(2,488,633)
Culture and recreation	3,308,264	603,185	247,930	-	(2,457,149)	-	(2,457,149)
Urban redevelopment and housing	1,477,131	-	1,477,131	-	-	-	-
Principal and interest on indebtedness	238,427	-	-	-	(238,427)	-	(238,427)
Total governmental activities	<u>31,274,125</u>	<u>3,140,763</u>	<u>3,382,446</u>	<u>499,797</u>	<u>(24,251,119)</u>	<u>-</u>	<u>(24,251,119)</u>
Business-type activities:							
Richmond Power & Light	69,665,723	73,603,183	-	-	-	3,937,460	3,937,460
Richmond Sanitary District	19,141,393	9,544,882	-	-	-	(9,596,511)	(9,596,511)
Rose View Transit	1,257,921	240,963	1,034,853	-	-	17,895	17,895
Municipal Airport	354,641	374,510	-	-	-	19,869	19,869
Off Street Parking	41,077	41,035	-	-	-	(42)	(42)
Total business-type activities	<u>90,460,755</u>	<u>83,804,573</u>	<u>1,034,853</u>	<u>-</u>	<u>-</u>	<u>(5,621,329)</u>	<u>(5,621,329)</u>
Total primary government	<u>\$ 121,734,880</u>	<u>\$ 86,945,336</u>	<u>\$ 4,417,299</u>	<u>\$ 499,797</u>	<u>(24,251,119)</u>	<u>(5,621,329)</u>	<u>(29,872,448)</u>
General receipts:							
Property taxes					14,212,031	4,651,516	18,863,547
Intergovernmental					5,265,197	1,420,168	6,685,365
Other local sources					312,411	3,351	315,762
Interfund loans					17,895	(17,895)	-
Investment earnings					50,854	89,628	140,482
Transfers					2,139,712	(2,139,712)	-
Total general receipts and transfers					<u>21,998,100</u>	<u>4,007,056</u>	<u>26,005,156</u>
Change in net assets					(2,253,019)	(1,614,273)	(3,867,292)
Net assets - beginning					<u>20,265,980</u>	<u>41,785,636</u>	<u>62,051,616</u>
Net assets - ending					<u>\$ 18,012,961</u>	<u>\$ 40,171,363</u>	<u>\$ 58,184,324</u>
Assets							
Cash and investments					\$ 5,264,927	\$ 20,386,087	\$ 25,651,014
Restricted assets:							
Cash and investments					<u>12,748,034</u>	<u>19,785,276</u>	<u>32,533,310</u>
Total assets					<u>\$ 18,012,961</u>	<u>\$ 40,171,363</u>	<u>\$ 58,184,324</u>
Net Assets							
Restricted for:							
Public safety					\$ 40,030	\$ -	\$ 40,030
Highways and streets					170,770	-	170,770
Economic development					11,383,860	-	11,383,860
Culture and recreation					1,116,538	-	1,116,538
Debt service					60,254	2,419,022	2,479,276
Other purposes					-	17,366,254	17,366,254
Unrestricted					<u>5,241,509</u>	<u>20,386,087</u>	<u>25,627,596</u>
Total net assets					<u>\$ 18,012,961</u>	<u>\$ 40,171,363</u>	<u>\$ 58,184,324</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RICHMOND
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2011

	General	Motor Vehicle Highway	Parks and Recreation	Tax Increment Financing	Certified Tech Park	City Grants	Other Governmental Funds	Totals
Receipts:								
Taxes	\$ 7,760,450	\$ 1,490,423	\$ 1,654,060	\$ 2,575,154	\$ -	\$ -	\$ 731,944	\$ 14,212,031
Licenses and permits	117,185	7,275	-	-	-	-	11,778	136,238
Intergovernmental	3,870,307	1,177,560	135,256	3,136	-	2,358,797	1,602,384	9,147,440
Charges for services	1,079,475	8,700	95,806	-	-	-	553,563	1,737,544
Fines and forfeits	58,938	-	-	-	-	-	996	59,934
Interfund loans	-	-	-	-	-	-	259,152	259,152
Other	996,575	12,675	104,471	14,830	15,601	-	426,160	1,570,312
Total receipts	13,882,930	2,696,633	1,989,593	2,593,120	15,601	2,358,797	3,585,977	27,122,651
Disbursements:								
General government	2,820,614	-	-	173,852	-	35,282	191,397	3,221,145
Public safety	12,832,683	-	-	-	-	-	858,219	13,690,902
Highways and streets	1,037,777	2,416,776	-	838,244	-	610,806	546,337	5,449,940
Economic development	-	-	-	1,604,222	100,000	-	1,077,683	2,781,905
Culture and recreation	-	-	2,162,037	-	-	202,302	851,336	3,215,675
Urban redevelopment and housing	-	-	-	-	-	1,477,131	-	1,477,131
Interfund loans	-	-	-	-	-	-	241,257	241,257
Debt service:								
Principal	-	-	-	-	-	-	190,000	190,000
Interest	-	-	-	-	-	-	48,427	48,427
Total disbursements	16,691,074	2,416,776	2,162,037	2,616,318	100,000	2,325,521	4,004,656	30,316,382
Excess (deficiency) of receipts over disbursements	(2,808,144)	279,857	(172,444)	(23,198)	(84,399)	33,276	(418,679)	(3,193,731)
Other financing sources (uses):								
Transfers in	2,139,712	-	-	-	-	-	-	2,139,712
Total other financing sources (uses)	2,139,712	-	-	-	-	-	-	2,139,712
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(668,432)	279,857	(172,444)	(23,198)	(84,399)	33,276	(418,679)	(1,054,019)
Cash and investment fund balance - beginning	1,831,984	440,452	598,347	5,023,275	4,939,952	137,494	5,754,790	18,726,294
Cash and investment fund balance - ending	\$ 1,163,552	\$ 720,309	\$ 425,903	\$ 5,000,077	\$ 4,855,553	\$ 170,770	\$ 5,336,111	17,672,275
Amounts reported for governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis are different because:								
Internal services funds are used by management to charge the costs of certain services to individual funds. The receipts and disbursements of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.								
								340,686
Net assets of governmental activities								\$ 18,012,961
Cash and Investment Assets - Ending								
Cash and investments	\$ 1,163,552	\$ 720,309	\$ 425,903	\$ -	\$ -	\$ -	\$ 2,614,477	\$ 4,924,241
Restricted assets:								
Cash and investments	-	-	-	5,000,077	4,855,553	170,770	2,721,634	12,748,034
Total cash and investment assets - ending	\$ 1,163,552	\$ 720,309	\$ 425,903	\$ 5,000,077	\$ 4,855,553	\$ 170,770	\$ 5,336,111	\$ 17,672,275
Cash and Investment Fund Balance - Ending								
Restricted for:								
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,030	\$ 40,030
Highways and streets	-	-	-	-	-	170,770	-	170,770
Economic development	-	-	-	-	-	-	722,510	722,510
Debt service	-	-	-	-	-	-	60,254	60,254
Assigned for:								
General government	-	-	-	-	-	-	652,781	652,781
Public safety	-	-	-	-	-	-	387,805	387,805
Highways and streets	-	720,309	-	-	-	-	175,086	895,395
Economic development	-	-	-	5,000,077	4,855,553	-	1,631,071	11,486,701
Culture and recreation	-	-	425,903	-	-	-	1,289,706	1,715,609
Capital outlay	-	-	-	-	-	-	376,868	376,868
Unassigned	1,163,552	-	-	-	-	-	-	1,163,552
Total cash and investment fund balance - ending	\$ 1,163,552	\$ 720,309	\$ 425,903	\$ 5,000,077	\$ 4,855,553	\$ 170,770	\$ 5,336,111	\$ 17,672,275

The notes to the financial statements are an integral part of this statement.

CITY OF RICHMOND
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As Of And For The Year Ended December 31, 2011

	Richmond Power and Light	Richmond Sanitary District	Rose View Transit	Municipal Airport	Off Street Parking	Totals	Internal Service Funds
Operating receipts:							
Residential sales	\$ 15,627,389	\$ 3,416,594	\$ -	\$ -	\$ -	\$ 19,043,983	\$ -
Commercial and industrial sales	42,648,169	3,144,815	-	-	-	45,792,984	-
Sales for resale	13,682,991	-	-	-	-	13,682,991	-
Storm water fees	-	1,504,875	-	-	-	1,504,875	-
Public street and highway lighting	999,480	-	-	-	-	999,480	-
Customer charges and sales	-	1,058,764	199,652	175,131	28,035	1,461,582	779,560
City share contributions	-	-	-	-	-	-	5,613,359
Penalties	398,669	-	-	-	-	398,669	-
Other operating receipts	246,485	419,834	41,311	-	-	707,630	-
Interfund loan proceeds	-	-	241,257	-	-	241,257	-
Miscellaneous	-	-	148,327	-	13,000	161,327	221,771
Total operating receipts	73,603,183	9,544,882	630,547	175,131	41,035	83,994,778	6,614,690
Operating disbursements:							
Salaries and wages	-	2,980,465	-	-	-	2,980,465	-
Employee pensions and benefits	482,834	1,570,972	-	-	-	2,053,806	-
Sludge removal	-	287,328	-	-	-	287,328	-
Utilities	-	807,233	-	-	-	807,233	-
Chemicals	-	305,565	-	-	-	305,565	-
Transportation	-	448,570	-	-	-	448,570	-
Materials & supplies	-	430,666	-	-	-	430,666	-
Contractual services	-	1,300,670	-	-	-	1,300,670	-
Insurance	-	374,630	-	-	-	374,630	-
Transmission and distribution	2,777,940	-	-	-	-	2,777,940	-
Customer accounts	915,469	-	-	-	-	915,469	-
Insurance claims & expense	-	-	-	-	-	-	7,518,887
Administration and general	5,284,183	-	-	-	-	5,284,183	294,803
Public transportation operation and maintenance	-	-	1,257,921	-	-	1,257,921	-
Power production	54,254,455	-	-	-	-	54,254,455	-
Equipment and capital improvements	3,659,412	7,670,412	-	-	-	11,329,824	-
Interfund loans made/repaid	-	-	259,152	-	-	259,152	-
Operation of small enterprise activities	-	-	-	354,641	41,077	395,718	-
Miscellaneous	1,419,854	212,687	-	-	-	1,632,541	-
Total operating disbursements	68,794,147	16,389,198	1,517,073	354,641	41,077	87,096,136	7,813,690
Excess (deficiency) of operating receipts over operating disbursements	4,809,036	(6,844,316)	(886,526)	(179,510)	(42)	(3,101,358)	(1,199,000)
Nonoperating receipts (disbursements):							
Property taxes	-	4,651,516	-	-	-	4,651,516	-
Intergovernmental	-	1,420,168	-	-	-	1,420,168	-
Rent	-	-	-	199,379	-	199,379	-
Investment receipts	34,192	54,869	-	567	-	89,628	-
Capital contributions	3,351	-	-	-	-	3,351	-
Operating grants	-	-	886,526	-	-	886,526	-
Debt service of principal	(680,000)	(1,744,659)	-	-	-	(2,424,659)	-
Interest disbursements	(191,576)	(1,007,536)	-	-	-	(1,199,112)	-
Total nonoperating receipts (disbursements)	(834,033)	3,374,358	886,526	199,946	-	3,626,797	-
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	3,975,003	(3,469,958)	-	20,436	(42)	525,439	(1,199,000)
Transfers in	-	3,237,567	-	-	-	3,237,567	-
Transfers out	(2,139,712)	(3,237,567)	-	-	-	(5,377,279)	-
Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out	1,835,291	(3,469,958)	-	20,436	(42)	(1,614,273)	(1,199,000)
Cash and investment fund balance - beginning	21,112,166	20,517,189	-	155,917	364	41,785,636	1,539,686
Cash and investment fund balance - ending	\$ 22,947,457	\$ 17,047,231	\$ -	\$ 176,353	\$ 322	\$ 40,171,363	\$ 340,686
Cash and Investment Assets - December 31							
Cash and investments	\$ 6,137,220	\$ 14,072,192	\$ -	\$ 176,353	\$ 322	\$ 20,386,087	\$ 340,686
Restricted assets:							
Cash and investments	16,810,237	2,975,039	-	-	-	19,785,276	-
Total cash and investment assets - December 31	\$ 22,947,457	\$ 17,047,231	\$ -	\$ 176,353	\$ 322	\$ 40,171,363	\$ 340,686
Cash and Investment Fund Balance - December 31							
Restricted for:							
Debt service	\$ 752,322	\$ 1,666,700	\$ -	\$ -	\$ -	\$ 2,419,022	\$ -
Other purposes	16,057,915	1,308,339	-	-	-	17,366,254	-
Unrestricted	6,137,220	14,072,192	-	-	-	20,386,087	340,686
Total cash and investment fund balance - December 31	\$ 22,947,457	\$ 17,047,231	\$ -	\$ -	\$ -	\$ 40,171,363	\$ 340,686

The notes to the financial statements are an integral part of this statement.

CITY OF RICHMOND
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND
INVESTMENT BALANCES - FIDUCIARY FUNDS
For The Year Ended December 31, 2011

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Contributions:		
Employer	\$ 801,376	\$ -
State	3,626,581	-
Other	-	90,076
	<u>4,427,957</u>	<u>90,076</u>
Total contributions		
	<u>4,427,957</u>	<u>90,076</u>
Investment earnings:		
Interest	578	-
	<u>578</u>	<u>-</u>
Total additions	<u>4,428,535</u>	<u>90,076</u>
Deductions:		
Benefits	4,225,646	67,308
Administrative and general	15,598	-
	<u>4,241,244</u>	<u>67,308</u>
Total deductions		
	<u>4,241,244</u>	<u>67,308</u>
Excess of total additions over total deductions	187,291	22,768
Cash and investment fund balance - beginning	<u>138,219</u>	<u>125,331</u>
Cash and investment fund balance - ending	<u>\$ 325,510</u>	<u>\$ 148,099</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RICHMOND
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, economic development, general administrative services, electric, wastewater and storm water utility services, trash collection, recycling and landfill services, public mass transportation, airport service, off street parking, and urban redevelopment and housing.

The City's financial reporting entity is composed of the following:

Primary Government: City of Richmond
Blended Component Unit: Richmond Redevelopment Authority

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Blended Component Units

A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's governing body is the same or substantially the same as the City's governing body or the component unit provides services entirely to the City. The component unit's funds are blended into those of the City by appropriate fund type to constitute the primary government presentation. The blended component unit is presented below:

<u>Component Unit</u>	<u>Description/Inclusion Criteria</u>	<u>Fund Included In</u>
Richmond Redevelopment Authority	The primary government appoints a voting majority of the Redevelopment Authority's board and a financial benefit/burden relationship exists between the City and the Authority. Although it is legally separate from the City, the Authority is reported as if it were a part of the City because it provides services entirely to the City.	No funds are currently included since there are no outstanding bonds issued by the Authority.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

CITY OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. 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.

The City reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The motor vehicle highway fund is the primary operating fund of the street department. It accounts for the primary operating cash receipts, cash disbursements and cash balances of the street department.

The parks and recreation fund is the primary operating fund of the park department. It accounts for most of the operating cash receipts, cash disbursements and cash balances of the park department.

The tax increment financing fund is the primary fund used to account for all cash receipts, cash disbursements and cash balances for the tax increment financing district, an economic development zone of the City of Richmond.

The certified tech park fund is used to account for all cash receipts, disbursements and cash balances to establish a certified technology park in accordance with Indiana state law.

The city grants fund is used to account for most of the city's federal and state grants' cash receipts, disbursements and balance.

The City reports the following major proprietary funds:

The Richmond Power and Light fund is used to account for the operation of the municipally-owned electric utility. This includes the sale, generation, wholesale purchase of electricity and distribution of electricity for customers.

The Richmond Sanitary District fund accounts for the operation of the Richmond Sanitary District including trash collection, municipal landfill, wastewater collection and treatment and storm water collection and management activities.

The Rose View Transit fund accounts for the operation of the city's mass transit system.

The Municipal Airport fund accounts for the operation of the municipal airport.

The Off Street Parking fund accounts for the operation of the city's parking lots and parking garage.

CITY OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Additionally, the City reports the following fund types:

The internal service funds account for health insurance for employees of all city departments and workers' compensation insurance for the city provided on a cost-reimbursement basis.

The pension trust funds account for the activities of the police and fire pension funds, which accumulate resources for pension benefit payments.

The private-purpose trust fund reports a trust arrangement under which principal and income benefit various groups and agencies.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the governmental funds and the business-type funds. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government.

CITY OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

5. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

CITY OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

Fund Balance Disclosure:

In accordance with Government Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balances as follows:

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the finance department based on the fund's purpose.

Unassigned includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

Fund Balance Disclosure:

The City uses *restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.*

The Government *does not have a formal minimum fund balance policy.*

The purpose of each major special revenue fund and receipt source is listed below:

Major Special Revenue Fund	Receipts Source
Motor Vehicle Highway	Taxes
Parks and Recreation	Taxes
City Grants	Intergovernmental receipts

	Major Special Revenue Funds				Major Capital Projects Funds		Total Other Governmental Funds	Totals
	General Fund	Motor Vehicle Highway Fund	Parks and Recreation Fund	City Grants Fund	Tax Increment Financing Fund	Certified Tech Park Fund		
Fund balances:								
Restricted for:								
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,030	\$ 40,030
Highways and streets	-	-	-	170,770	-	-	-	170,770
Economic development	-	-	-	-	-	-	722,510	722,510
Debt service	-	-	-	-	-	-	60,254	60,254
Other purposes	-	-	-	-	-	-	-	-
Assigned to:								
General government	-	-	-	-	-	-	652,781	652,781
Public safety	-	-	-	-	-	-	387,805	387,805
Highways and streets	-	720,309	-	-	-	-	175,086	895,395
Economic development	-	-	-	-	5,000,077	4,855,553	1,631,071	11,486,701
Culture and recreation	-	-	425,903	-	-	-	1,289,706	1,715,609
Capital Outlay	-	-	-	-	-	-	376,868	376,868
Unassigned	1,163,522	-	-	-	-	-	-	1,163,522
Total fund balances	<u>\$ 1,163,522</u>	<u>\$ 720,309</u>	<u>\$ 425,903</u>	<u>\$ 170,770</u>	<u>\$ 5,000,077</u>	<u>\$ 4,855,553</u>	<u>\$ 5,336,111</u>	<u>\$ 17,672,245</u>

CITY OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts 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 receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

CITY OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Prior to the first required publication, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

III. Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2011, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2011</u>
Sewer Utility Operating	Sewer Utility Bond & Interest Fund	\$ 1,762,346
Stormwater Utility Operating Fund	Sewer Utility Bond & Interest Fund	601,541
RSD Sanitary Operating Fund	RSD Landfill Operating Fund	873,680
Richmond Power and Light	General Fund	<u>2,139,712</u>
 Total		 <u>\$ 5,377,279</u>

The City typically uses transfers for cash flow purposes and making long-term debt payments as provided by various statutory provisions.

CITY OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

IV. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits to Employees, Retirees and Dependents (Excluding Postemployment Benefits)

The City has chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees and dependents. The risk financing fund is accounted for in the Health Insurance Fund, an internal service fund where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$125,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund and are reported as quasi-external interfund transactions.

Job-related Illnesses or Injuries to Employees Benefits

The City has chosen to establish a risk financing fund for risks associated with job related illnesses or injuries to employees. The risk financing fund is accounted for in the Workers' Comp Insurance Fund (an internal service fund) where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$150,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund and are reported as quasi-external interfund transactions.

B. Conduit Debt Obligation

From time to time, the City has issued economic development revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, nor the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying notes to the financial statements.

As of December 31, 2011, there were four series of economic development revenue bonds outstanding.

CITY OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Loans Receivable

These loans were made to various businesses for various purposes of economic development. During the year 2011 there was one new loan issued for \$297,000. Principal payments received or deemed uncollectible on loans totaled \$241,494. The total balance of loans outstanding at December 31, 2011, was \$878,701.

D. Rate Structure – Enterprise Funds

Sanitary District

The current wastewater utility rate structure was approved by the City Council on July 6, 2004. The current storm water utility rate structure was effective January 1, 2008 as approved by City Council.

Electric Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on February 9, 2005.

E. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The City and Sanitary District contribute to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system and give the City and Sanitary District authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Indiana Public Retirement System
One North Capital Street
Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

CITY OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy

PERF members are required to contribute 3 percent of their annual covered salary. The City and Sanitary District are required to contribute at an actuarially determined rate; the current rate is 7.5 percent for the City and is 8.75 percent for the Sanitary District of annual covered payroll. The contribution requirements of plan members and the City and the Sanitary District are established and may be amended by the PERF Board of Trustees.

Annual Pension Cost

For 2011, the City's annual pension cost of \$ 236,195 for PERF was equal to the City's required and actual contributions. For 2011, the Sanitary District's annual pension cost of \$ 211,909 for PERF was equal to the Sanitary District's required and actual contributions.

b. Richmond Power and Light Pension Plan

Plan Description

The Utility contributes to the Richmond Power and Light Employees' Pension, which is a single-employer defined benefit plan. With the approval of the Utility's fiscal body, the plan is administered by the Principal Financial Group as authorized by state statute (Indiana Code 8-1.5-3-7) for full-time employees. The plan provides dependent pensions, life insurance, and disability benefits to plan members and beneficiaries. The trustee issues a publically available financial report that includes financial statements and required supplementary information of the plan. The report may be obtained by writing Richmond Power and Light, 2000 South U.S. Highway 27, Richmond, IN 47374.

Funding Policy and Annual Pension Cost

The contribution requirements for plan members for the Richmond Power and Light Employees' Pension Plan are established by the Board of Directors of the Utility. The Utility's annual pension costs for the current year and related information, as provided by the actuary, is presented in this note.

c. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

Plan members are required by state statute (IC 36-8-6-4) to contribute an amount equal to six percent (6%) of the salary of a first class patrolman. The City is required to contribute an amount equal to the funding deficit of the difference between receipts of the fund and the required disbursements of the fund (pay-as-you-go basis); the amount contributed for 2011 is

CITY OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

\$1,865,510. The contribution requirements of plan members and City are established by state statute. Of this amount, \$1,400,230 is contributed by the State of Indiana on behalf of the City. On behalf contributions from the State of Indiana approximates the amount paid out for benefits.

Annual Pension Cost

For 2011, the City's annual pension cost of \$ 1,865,510 for the 1927 Police Officers Pension Plan was equal to the City's required and actual contributions.

d. 1937 Firefighters' Pension Plan

Plan Description

The City contributes to the 1937 Firefighters' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

Plan members are required by state statute (IC 36-8-7-8) to contribute an amount equal to six percent (6%) of the salary of a fully paid first class firefighter. The City is required to contribute an amount equal to the funding deficit of the difference between receipts of the fund and the required disbursements of the fund (pay-as-you-go basis); the amount contributed for 2011 is \$ 2,562,447. The contribution requirements of plan members and the City are established by state statute. Of this amount, \$2,226,351 is contributed by the State of Indiana on behalf of the City. On behalf contributions from the State of Indiana approximates the amount paid out for benefits.

Annual Pension Cost

For 2011, the City's annual pension cost of \$2,562,447 for the 1937 Firefighters' Pension Plan was equal to the City's required and actual contributions.

CITY OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Richmond City	Richmond Sanitary District	Richmond Power and Light	1925 Police Officers Pension	1937 Firefighters' Pension
Annual required contribution	\$ 377,853	\$198,041	\$ 920,456	\$ -	\$ -
Interest on net pension obligation	(1,489)	(4,749)	(34,836)	-	-
Adjustment to annual required contribution	1,715	4,696	53,730	-	-
Annual pension cost	378,079	293,989	939,350	1,865,510	2,562,447
Contributions made	211,813	208,392	659,866	1,865,510	2,562,447
Increase (Decrease) in net pension obligation	166,266	85,597	279,484	-	-
Net pension obligation, beginning of year	(103,237)	(58,268)	(516,082)	-	-
Net pension obligation, end of year	<u>\$ (110,778)</u>	<u>\$ 27,329</u>	<u>\$ (236,598)</u>	<u>\$ -</u>	<u>\$ -</u>

	Richmond City	Richmond Sanitary District	Richmond Power and Light	1925 Police Officers Pension	1937 Firefighters' Pension
Contribution rates:					
Employer	5.25%	6.50%	8.24%	6%	6%
Plan members	3%	3%	3%	6%	6%
Actuarial valuation date	07-01-09	07-01-09	08-31-10	01-01-05	01-01-05
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	Normal Cost Level Dollar, Closed Amortization Period	Normal Cost Level Dollar, Closed Amortization Period	Normal Cost Frozen initial liability equal annual	Normal Cost Level Dollar, Closed Amortization Period	Normal Cost Level Dollar, Closed Amortization Period
Amortization period	30 years	30 years	16 years	30 years	30 years
Amortization period (from date)	07-01-07	07-01-07	08-31-09	12-31-97	12-31-97
Asset valuation method	75% of actuarial plus 25% of market value	75% of actuarial plus 25% of market value	Contract basis	4 year phase in in of unrealized and realized capital	4 year phase in in of unrealized and realized capital

Actuarial Assumptions	Richmond City PERF	Sanitary District PERF	Richmond Power and Light	1925 Police Officers' Pension	1937 Firefighters' Pension
Investment rate of return	7.25%	7.25%	6.75%	6%	6%
Projected future salary increases:					
Total	4%	4%	7%	4%	4%
Cost-of-living adjustments	1.5%	1.5%	2%	2.75/4%	2.75/4%
Investment rate of return	7.25%	7.25%	6.75%	7%	7%
Projected future: salary increases:					
Total	4%	4%	7%	5%	5%
Cost-of-living adjustments	1.5%	1.5%	2%	2%	0%

CITY OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Richmond City PERF	06-30-09	\$ 378,079	56%	\$ 144,988
	06-30-10	289,682	69%	(21,278)
	06-30-11	207,892	104%	(110,788)
Sanitary District PERF	06-30-09	198,704	105%	(75,136)
	06-30-10	221,597	92%	(58,268)
	06-30-11	293,989	71%	27,329
Richmond Power & Light	08-31-09	567,482	117%	(720,425)
	08-31-10	860,128	76%	(516,082)
	08-31-11	939,350	70%	(236,598)
1925 Police Officers' Pension	12-31-09	1,880,806	100%	N/A
	12-31-10	1,958,214	100%	N/A
	12-31-11	1,865,510	100%	N/A
1937 Firefighters' Pension	12-31-09	2,497,192	100%	N/A
	12-31-10	2,409,608	100%	N/A
	12-31-11	2,562,447	100%	N/A

N/A - Not applicable.

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2011, was comprised of the following:

	<u>1925 Police Officers Pension</u>	<u>1937 Firefighters' Pension</u>
Retirees and beneficiaries currently receiving benefits	31	27
Terminated employees entitled to but not yet receiving benefits	-	-
Current active employees	-	-

Funded Status and Funding Progress for the Above Plans

The funded status of each plan as of July 1, 2011, for Richmond City PERF and Richmond Sanitary District PERF, and August 31, 2011, for Richmond Power & Light, and the most recent actuarial valuation date of these pension plans are as follows:

CITY OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Retirement Plan	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL or (Funding Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL or (Funding Excess) as a Percentage of Covered Payroll ((b-a)/c)
Richmond City PERF	\$ 3,950,839	\$ 6,393,889	\$ (2,443,050)	62%	\$4,287,592	57%
Sanitary District PERF	2,079,354	4,050,345	(1,970,991)	51%	2,940,605	67%
Richmond Power & Light	40,761,710	44,442,688	3,680,978	91.7%	8,296,845	44.4%
1925 Police Officers' Pension Plan	1,775	20,431,300	20,429,525	0%	44,000	(46.012)%
1937 Firefighters' Pension Plan	8,723	29,721,800	29,713,077	0%	-	0%

The Schedule of Funding Progress, presented as RSI for the above plans following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
One North Capital Street
Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6 percent of the first-class police officers' and 5 percent firefighters' base salary plus longevity and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 19.5 percent of the first-class police officers' and 20.5 percent firefighters' base salary plus longevity. The contribution requirements of plan members and the City are established and can be amended by the Board of Trustees of INPRS. The City's contributions to the plan for the years ending December 31, 2011, 2010, and 2009, were \$1,270,911, \$1,288,997, and \$1,390,860, respectively, equal to the required contributions for each year.

CITY OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
(Continued)

V. Contingent Liability

The City of Richmond's Electric Utility, Richmond Power and Light, is attempting to resolve a "Notice of Violation and Finding of Violation" received from the United States Environmental Protection Agency (EPA) in connection with certain provisions of the Clean Air Act. The amount of liability, if any, is unknown at this time.

VI. Subsequent Event - Waste from Energy Project

Due to unforeseen problems with the WTE (Waste to Energy) technology, the RP&L Board of Directors made a decision that the waste to energy project could no longer move forward and cancelled the project.

All expenses incurred by the project will be written off in the 2012 fiscal year. Should any of the expenses be found to be reimbursable, they will be recorded in our financial statements using the proper accounting procedures.

CITY OF RICHMOND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund - City

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-09	\$ 5,757,559	\$ 6,033,630	\$ (276,071)	95%	\$ 4,581,701	(6)%
07-01-10	4,898,617	6,214,981	(1,316,364)	79%	4,255,082	31%
07-01-11	3,950,839	6,393,889	(2,443,050)	62%	4,287,592	57%

Public Employees' Retirement Fund - Sanitary District

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	(Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-09	\$ 3,126,923	\$ 3,766,394	\$ (639,471)	83%	\$ 3,115,556	21%
07-01-10	2,474,970	3,922,455	(1,447,485)	63%	2,927,473	49%
07-01-11	2,079,354	4,050,345	(1,970,991)	51%	2,940,605	67%

1925 Police Officers' Pension Plan

Actuarial Valuation Date	(Unit Records) (Note 1) Actuarial Value of Assets	(Actuarial) Actuarial Accrued Liability - AAL	(Calculated) Excess of Assets Over (Unfunded) AAL	(Calculated) Funded Ratio	(Actuarial) Covered Payroll	(Calculated) Excess (Unfunded) AAL As A % of Covered Payroll
01-01-06	\$ 112,717	\$ 22,393,600	\$ (22,280,883)	1%	\$ 300,500	(7,415)%
01-01-07	317,833	21,157,900	(20,840,067)	2%	258,800	(8,053)%
01-01-08	190,929	18,782,500	(18,591,571)	1%	44,400	(41,873)%
01-01-09	6,838	21,628,800	(21,621,962)	0%	-	No Covered Payroll
01-01-10	1,775	20,431,300	(20,429,525)	0%	44,400	(46,012)%
01-01-11	92,714	20,066,700	(19,973,986)	0%	46,200	(43,234)%

1937 Firefighters' Pension Plan

Actuarial Valuation Date	(Note 1) Actuarial Value of Assets	Actuarial Accrued Liability - AAL	Excess of Assets Over (Unfunded) AAL	Funded Ratio	Covered Payroll	Excess (Unfunded) AAL As A % of Covered Payroll
01-01-04	\$ 901,943	\$ 31,807,200	\$ (30,905,257)	3%	\$ 283,500	(10,901)%
01-01-05	663,091	31,239,500	(30,576,409)	2%	291,900	(10,475)%
01-01-06	65,228	29,633,000	(29,567,772)	0%	253,900	(11,645)%
01-01-07	339,556	28,906,300	(28,566,744)	1%	176,800	(16,158)%
01-01-08	345,277	24,387,200	(24,041,923)	1%	-	No Covered Payroll
01-01-09	8,723	29,721,800	(29,713,077)	0%	-	No Covered Payroll

Electric Utility Employees' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
09-01-03	\$ 18,327,234	\$ 17,342,907	\$ 984,327	106%	\$ 6,396,220	15%
09-01-04	20,164,043	19,163,700	1,000,343	105%	6,940,368	14%
09-01-05	21,582,567	21,240,996	341,571	102%	7,331,350	5%
09-01-06	23,155,870	22,395,506	760,364	103%	7,280,811	10%
09-01-07	25,356,539	23,832,967	1,523,572	106%	7,182,171	21%
09-01-08	39,361,410	38,264,551	1,096,859	103%	9,631,460	11%
09-01-09	39,477,633	40,776,537	(1,298,904)	97%	8,255,070	(16)%
09-01-10	39,913,129	42,071,610	(2,158,481)	95%	7,959,201	(27)%

CITY OF RICHMOND
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2011

	Local Road And Street	Park Nonreverting Operating	Animal Control	Law Enforcement Continuing Ed	Unsafe Building	Rainy Day City
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 25,430	\$ -
Licenses and permits	-	-	1,198	10,580	-	-
Intergovernmental	300,258	-	-	-	2,080	-
Charges for services	-	492,467	-	11,356	-	-
Fines and forfeits	-	-	-	996	-	-
Interfund loans	-	-	-	-	-	-
Other	455	17,201	-	129	221	2,069
Total receipts	300,713	509,668	1,198	23,061	27,731	2,069
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	62	32,721	619	-
Highways and streets	208,362	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	547,716	-	-	-	-
Interfund loans	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total disbursements	208,362	547,716	62	32,721	619	-
Excess (deficiency) of receipts over disbursements	92,351	(38,048)	1,136	(9,660)	27,112	2,069
Cash and investment fund balance - beginning	82,368	176,857	9,287	44,445	61,960	650,712
Cash and investment fund balance - ending	<u>\$ 174,719</u>	<u>\$ 138,809</u>	<u>\$ 10,423</u>	<u>\$ 34,785</u>	<u>\$ 89,072</u>	<u>\$ 652,781</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 174,719	\$ 138,809	\$ 10,423	\$ 34,785	\$ 89,072	\$ 652,781
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 174,719</u>	<u>\$ 138,809</u>	<u>\$ 10,423</u>	<u>\$ 34,785</u>	<u>\$ 89,072</u>	<u>\$ 652,781</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Economic development	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Assigned for:						
General government	-	-	-	-	-	652,781
Public safety	-	-	10,423	34,785	89,072	-
Highways and streets	174,719	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	138,809	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total cash and investment fund balance - ending	<u>\$ 174,719</u>	<u>\$ 138,809</u>	<u>\$ 10,423</u>	<u>\$ 34,785</u>	<u>\$ 89,072</u>	<u>\$ 652,781</u>

CITY OF RICHMOND
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2011
 (Continued)

	Build Indiana	Haz-Mat	First Response	Criminal Justice	Law Enforcement Aid	Redevelopment
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	21,192	278,916	-
Charges for services	-	8,244	37,926	-	-	-
Fines and forfeits	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	-	-	-	8,440	25,246	64
Total receipts	-	8,244	37,926	29,632	304,162	64
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	7,781	19,311	27,807	210,148	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total disbursements	-	7,781	19,311	27,807	210,148	-
Excess (deficiency) of receipts over disbursements	-	463	18,615	1,825	94,014	64
Cash and investment fund balance - beginning	109,473	12,667	1,287	38,205	126,479	20,014
Cash and investment fund balance - ending	<u>\$ 109,473</u>	<u>\$ 13,130</u>	<u>\$ 19,902</u>	<u>\$ 40,030</u>	<u>\$ 220,493</u>	<u>\$ 20,078</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 109,473	\$ 13,130	\$ 19,902	\$ -	\$ 220,493	\$ 20,078
Restricted assets:						
Cash and investments	-	-	-	40,030	-	-
Total cash and investment assets - ending	<u>\$ 109,473</u>	<u>\$ 13,130</u>	<u>\$ 19,902</u>	<u>\$ 40,030</u>	<u>\$ 220,493</u>	<u>\$ 20,078</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ 40,030	\$ -	\$ -
Economic development	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Assigned for:						
General government	-	-	-	-	-	-
Public safety	-	13,130	19,902	-	220,493	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	20,078
Culture and recreation	109,473	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total cash and investment fund balance - ending	<u>\$ 109,473</u>	<u>\$ 13,130</u>	<u>\$ 19,902</u>	<u>\$ 40,030</u>	<u>\$ 220,493</u>	<u>\$ 20,078</u>

CITY OF RICHMOND
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2011
 (Continued)

	Redevelopment Revenue Bond	Business And Industrial Loan	Revolving Loan Local Cash	Program Income Loan	Microenterprise Loan	Human And Environmental
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	45,628
Charges for services	-	2,995	200	-	-	-
Fines and forfeits	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	-	223,299	34,501	778	645	16,589
Total receipts	-	226,294	34,701	778	645	62,217
Disbursements:						
General government	-	4,779	4,706	4,036	284	60,049
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	297,000	15,000	-	-	-
Culture and recreation	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total disbursements	-	301,779	19,706	4,036	284	60,049
Excess (deficiency) of receipts over disbursements	-	(75,485)	14,995	(3,258)	361	2,168
Cash and investment fund balance - beginning	516	713,951	20,287	31,259	5,656	32,191
Cash and investment fund balance - ending	<u>\$ 516</u>	<u>\$ 638,466</u>	<u>\$ 35,282</u>	<u>\$ 28,001</u>	<u>\$ 6,017</u>	<u>\$ 34,359</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 516	\$ -	\$ -	\$ -	\$ -	\$ 34,359
Restricted assets:						
Cash and investments	-	638,466	35,282	28,001	6,017	-
Total cash and investment assets - ending	<u>\$ 516</u>	<u>\$ 638,466</u>	<u>\$ 35,282</u>	<u>\$ 28,001</u>	<u>\$ 6,017</u>	<u>\$ 34,359</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Economic development	-	638,466	35,282	28,001	6,017	-
Debt service	-	-	-	-	-	-
Assigned for:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	516	-	-	-	-	-
Culture and recreation	-	-	-	-	-	34,359
Capital outlay	-	-	-	-	-	-
Total cash and investment fund balance - ending	<u>\$ 516</u>	<u>\$ 638,466</u>	<u>\$ 35,282</u>	<u>\$ 28,001</u>	<u>\$ 6,017</u>	<u>\$ 34,359</u>

CITY OF RICHMOND
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2011
 (Continued)

	Midwest Industrial Park	Center City Loan Program	Park Bond Sinking	Cumulative Capital Development	Cumulative Capital Improvement	County EDIT
Receipts:						
Taxes	\$ -	\$ -	\$ 168,060	\$ 538,454	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	13,742	175,229	112,355	652,984
Charges for services	-	375	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	259,152
Other	45,295	22,235	-	868	543	5,840
	<u>45,295</u>	<u>22,235</u>	<u>-</u>	<u>868</u>	<u>543</u>	<u>5,840</u>
Total receipts	<u>45,295</u>	<u>22,610</u>	<u>181,802</u>	<u>714,551</u>	<u>112,898</u>	<u>917,976</u>
Disbursements:						
General government	-	1,472	-	-	116,071	-
Public safety	-	-	-	559,770	-	-
Highways and streets	-	-	-	295,975	-	-
Economic development	20,794	32,500	-	-	-	712,389
Culture and recreation	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	241,257
Debt service:						
Principal	-	-	190,000	-	-	-
Interest	-	-	48,427	-	-	-
	<u>20,794</u>	<u>33,972</u>	<u>238,427</u>	<u>855,745</u>	<u>116,071</u>	<u>953,646</u>
Total disbursements	<u>20,794</u>	<u>33,972</u>	<u>238,427</u>	<u>855,745</u>	<u>116,071</u>	<u>953,646</u>
Excess (deficiency) of receipts over disbursements	24,501	(11,362)	(56,625)	(141,194)	(3,173)	(35,670)
Cash and investment fund balance - beginning	<u>781,219</u>	<u>26,106</u>	<u>116,879</u>	<u>375,007</u>	<u>146,228</u>	<u>840,427</u>
Cash and investment fund balance - ending	<u>\$ 805,720</u>	<u>\$ 14,744</u>	<u>\$ 60,254</u>	<u>\$ 233,813</u>	<u>\$ 143,055</u>	<u>\$ 804,757</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 805,720	\$ -	\$ -	\$ 233,813	\$ 143,055	\$ 804,757
Restricted assets:						
Cash and investments	-	14,744	60,254	-	-	-
Total cash and investment assets - ending	<u>\$ 805,720</u>	<u>\$ 14,744</u>	<u>\$ 60,254</u>	<u>\$ 233,813</u>	<u>\$ 143,055</u>	<u>\$ 804,757</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Economic development	-	14,744	-	-	-	-
Debt service	-	-	60,254	-	-	-
Assigned for:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	805,720	-	-	-	-	804,757
Culture and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	233,813	143,055	-
Total cash and investment fund balance - ending	<u>\$ 805,720</u>	<u>\$ 14,744</u>	<u>\$ 60,254</u>	<u>\$ 233,813</u>	<u>\$ 143,055</u>	<u>\$ 804,757</u>

CITY OF RICHMOND
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2011
 (Continued)

	Park Capital Improvements	Infrastructure	Park Bond Construction	Park Nonreverting Capital	Totals
Receipts:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 731,944
Licenses and permits	-	-	-	-	11,778
Intergovernmental	-	-	-	-	1,602,384
Charges for services	-	-	-	-	553,563
Fines and forfeits	-	-	-	-	996
Interfund loans	-	-	-	-	259,152
Other	81	18,250	3,411	-	426,160
	<u>81</u>	<u>18,250</u>	<u>3,411</u>	<u>-</u>	<u>3,585,977</u>
Total receipts	81	18,250	3,411	-	3,585,977
Disbursements:					
General government	-	-	-	-	191,397
Public safety	-	-	-	-	858,219
Highways and streets	-	42,000	-	-	546,337
Economic development	-	-	-	-	1,077,683
Culture and recreation	11,436	-	292,184	-	851,336
Interfund loans	-	-	-	-	241,257
Debt service:					
Principal	-	-	-	-	190,000
Interest	-	-	-	-	48,427
	<u>11,436</u>	<u>42,000</u>	<u>292,184</u>	<u>-</u>	<u>4,004,656</u>
Total disbursements	11,436	42,000	292,184	-	4,004,656
Excess (deficiency) of receipts over disbursements	(11,355)	(23,750)	(288,773)	-	(418,679)
Cash and investment fund balance - beginning	34,773	24,117	1,269,571	2,849	5,754,790
Cash and investment fund balance - ending	<u>\$ 23,418</u>	<u>\$ 367</u>	<u>\$ 980,798</u>	<u>\$ 2,849</u>	<u>\$ 5,336,111</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ 23,418	\$ 367	\$ 980,798	\$ 2,849	\$ 4,513,317
Restricted assets:					
Cash and investments	-	-	-	-	822,794
Total cash and investment assets - ending	<u>\$ 23,418</u>	<u>\$ 367</u>	<u>\$ 980,798</u>	<u>\$ 2,849</u>	<u>\$ 5,336,111</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 40,030
Economic development	-	-	-	-	722,510
Debt service	-	-	-	-	60,254
Assigned for:					
General government	-	-	-	-	652,781
Public safety	-	-	-	-	387,805
Highways and streets	-	367	-	-	175,086
Economic development	-	-	-	-	1,631,071
Culture and recreation	23,418	-	980,798	2,849	1,289,706
Capital outlay	-	-	-	-	376,868
Total cash and investment fund balance - ending	<u>\$ 23,418</u>	<u>\$ 367</u>	<u>\$ 980,798</u>	<u>\$ 2,849</u>	<u>\$ 5,336,111</u>

CITY OF RICHMOND
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 INTERNAL SERVICE FUNDS
 As Of And For The Year Ended December 31, 2011

	Health Insurance Fund	Workers Comp Insurance Fund	Totals
Operating receipts:			
Charges for services	\$ 779,560	\$ -	\$ 779,560
City's share contributions	5,249,592	363,767	5,613,359
Miscellaneous	<u>221,224</u>	<u>547</u>	<u>221,771</u>
 Total operating receipts	 <u>6,250,376</u>	 <u>364,314</u>	 <u>6,614,690</u>
Operating disbursements:			
Insurance claims and expense	7,176,477	342,410	7,518,887
Administrative costs	<u>286,442</u>	<u>8,361</u>	<u>294,803</u>
 Total operating disbursements	 <u>7,462,919</u>	 <u>350,771</u>	 <u>7,813,690</u>
 Excess (deficiency) of receipts over disbursements	 <u>(1,212,543)</u>	 <u>13,543</u>	 <u>(1,199,000)</u>
 Cash and investment fund balance - beginning	 <u>1,351,481</u>	 <u>188,205</u>	 <u>1,539,686</u>
 Cash and investment fund balance - ending	 <u>\$ 138,938</u>	 <u>\$ 201,748</u>	 <u>\$ 340,686</u>
 <u>Cash and Investment Assets - December 31</u>			
 Total cash and investment assets - December 31	 <u>\$ 138,938</u>	 <u>\$ 201,748</u>	 <u>\$ 340,686</u>
 <u>Cash and Investment Fund Balance - December 31</u>			
 Unrestricted	 <u>\$ 138,938</u>	 <u>\$ 201,748</u>	 <u>\$ 340,686</u>
 Total cash and investment fund balance - December 31	 <u>\$ 138,938</u>	 <u>\$ 201,748</u>	 <u>\$ 340,686</u>

CITY OF RICHMOND
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PENSION TRUST FUNDS
 For The Year Ended December 31, 2011

	Police Pension Fund	Fire Pension	Totals
Additions:			
Contributions:			
Employer	\$ 465,280	\$ 336,096	\$ 801,376
State	<u>1,400,230</u>	<u>2,226,351</u>	<u>3,626,581</u>
Total contributions	<u>1,865,510</u>	<u>2,562,447</u>	<u>4,427,957</u>
Investment receipts:			
Interest	<u>207</u>	<u>371</u>	<u>578</u>
Total additions	<u>1,865,717</u>	<u>2,562,818</u>	<u>4,428,535</u>
Deductions:			
Benefits	1,833,834	2,391,812	4,225,646
Administrative and general	<u>6,233</u>	<u>9,365</u>	<u>15,598</u>
Total deductions	<u>1,840,067</u>	<u>2,401,177</u>	<u>4,241,244</u>
Excess (of total additions over total deductions)	25,650	161,641	187,291
Cash and investment fund balance - beginning	<u>92,714</u>	<u>45,505</u>	<u>138,219</u>
Cash and investment fund balance - ending	<u>\$ 118,364</u>	<u>\$ 207,146</u>	<u>\$ 325,510</u>

CITY OF RICHMOND
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN
 CASH AND INVESTMENT BALANCES - PRIVATE-PURPOSE TRUST FUNDS
 For The Year Ended December 31, 2011

	<u>Gifts And Donations</u>
Additions:	
Contributions:	
Other	\$ <u>90,076</u>
Total additions	<u>90,076</u>
Deductions:	
Benefits	<u>67,308</u>
Excess of total additions over total deductions	22,768
Cash and investment fund balance - beginning	<u>125,331</u>
Cash and investment fund balance - ending	<u><u>\$ 148,099</u></u>

CITY OF RICHMOND
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2011

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land, improvements to land	\$ 1,229,916
Infrastructure	36,779,475
Buildings	10,717,801
Improvements other than buildings	1,785,746
Machinery and equipment	9,283,385
Construction in progress	<u>2,645,224</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 62,441,547</u>
<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Electric Utility	
Capital assets, not being depreciated:	
Land	\$ 788,510
Construction in progress	7,767,203
Buildings	6,666,816
Improvements other than buildings	980,592
Machinery and equipment	<u>163,812,286</u>
Total Electric Utility capital assets	<u>180,015,407</u>
Sanitary District:	
Capital assets, not being depreciated:	
Land	533,061
Infrastructure	4,318,839
Construction in progress	7,169,513
Buildings	52,346,387
Improvements other than buildings	47,065,959
Machinery and equipment	<u>22,293,699</u>
Total Sanitary District capital assets	<u>133,727,458</u>
Airport:	
Capital assets, not being depreciated:	
Land	567,389
Construction in progress	1,601,594
Buildings	877,458
Improvements other than buildings	6,092,122
Machinery and equipment	<u>913,229</u>
Total Airport capital assets	<u>10,051,792</u>
Roseview Transit:	
Capital assets, not being depreciated:	
Land	19,950
Buildings	351,675
Machinery and equipment	<u>708,268</u>
Total Roseview Transit capital assets	<u>1,079,893</u>
Off Street Parking:	
Capital assets, not being depreciated:	
Land	157,153
Buildings	1,334,021
Improvements other than buildings	409,418
Machinery and equipment	<u>56,046</u>
Total Off Street Parking capital assets	<u>1,956,638</u>
Total business-type activities capital assets	<u>\$ 326,831,188</u>

CITY OF RICHMOND
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 Decemeber 31, 2011

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Street sweepers	\$ 49,244	\$ 51,091
Golf course mowing equipment	73,893	39,185
Energy savings project	1,181,052	173,852
Bonds payable:		
General obligation bonds:		
Park and recreation 2009	<u>1,645,000</u>	<u>235,221</u>
Total governmental activities debt	<u>\$ 2,949,189</u>	<u>\$ 499,349</u>
Business-type activities:		
Electric Utility:		
Revenue bonds:		
Baghouse	\$ 2,995,000	\$ 477,193
New substation	<u>1,835,000</u>	<u>399,416</u>
Total Electric Utility	<u>4,830,000</u>	<u>876,609</u>
Sanitary District:		
Capital leases:		
Energy savings project	2,540,525	274,940
D8 Dozer & High sprocket crawler tractor	376,488	130,608
Revenue bonds:		
SRF bond issue of 1998	1,778,365	284,364
SRF bond issue of 2000	1,188,127	151,885
SRF bond issue of 2004	2,938,000	282,835
SRF bond issue of 2009	1,423,046	106,989
Chester Blvd. issue of 2005	7,715,000	724,055
Sewage works revenue bond of 2009	<u>10,190,000</u>	<u>809,378</u>
Total Sanitary District	<u>28,149,551</u>	<u>2,765,054</u>
Total business-type activities debt	<u>\$ 32,979,551</u>	<u>\$ 3,641,663</u>

CITY OF RICHMOND
AUDIT RESULT AND COMMENT

IMPROPER SUPPORTING DOCUMENTATION FOR PAYMENT

A payment to Kyle R. Tom was made on December 2, 2011, for \$45,222.61. According to Purchase Order Number S049884, dated December 2, 2011, the payment was for relocation expenses related to an economic community development project in the depot district. There were no documents attached to the Purchase Order such as receipts or invoices to support the payment when the payment was made. An affidavit was obtained later providing estimates of costs paid by the City. Some of the estimated relocation costs described in the affidavit include free rent and utilities to some tenants not at the end of their leases, costs to move equipment, costs in marketing and awareness of new business location, and compensation for loss of income. Also, after the affidavit was provided, copies of checks were provided by Kyle R. Tom. We were informed that these payments were for the abovementioned relocation expenses. No invoices were provided for these expenses.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE CITY OF RICHMOND, WAYNE COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Richmond (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied in all material respects with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

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

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

This report is intended solely for the information and use of the City's management, Common Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 16, 2012

CITY OF RICHMOND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2011

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-Through Indiana Department of Education Child Nutrition Cluster Summer Food Service Program for Children JUKO Program	10.559	2011	\$ 23,673
<u>U.S. ECONOMIC DEVELOPMENT ADMINISTRATION</u>			
Direct Grant Economic Development Cluster Economic Adjustment Assistance Revolving Loan Program	11.307	06-36-02088	1,087,104
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Housing Finance Authority CDBG - State-Administered CDBG Cluster Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii Richmond NSP 1 Project Richmond NSP 3 Project	14.228	NSP1-009-026 NSP3-011-001	1,461,296 1,580
Total for federal grantor agency			1,462,876
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Pass-Through Henry County Sheriff JAG Program Cluster Edward Byrne Memorial Justice Assistance Grant Program Pro-active criminal enforcement - PACE	16.738	2011	51,011
Pass-Through Wayne County Sheriff ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants To Units Of Local Government Equipment grant	16.804	2011	13,601
Total for cluster			64,612
Direct Grant Equitable Sharing Program DEA Forfeitures	16.922	2011	146,059
Pass-Through Indiana State Police Missing Children's Assistance Forensics grant	16.543	2011	3,493
Total for federal grantor agency			214,164
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction South 9th Street Bridge Traffic Sign Inventory Scenic Byway Grant - Gorge TE Grant for CSX Starr-Gennett Area Redevelopment	20.205	2011 2011 2011 2011 2011	59,016 82,020 32,777 4,968 67,668
Total for cluster			246,449
Pass-Through Indiana Department of Transportation Federal Transit Cluster Federal Transit - Formula Grants Operating Assistance	20.507	2011	524,641
Pass-Through Indiana Department of Transportation Highway Safety Cluster State and Community Highway Safety Operation Pullover	20.600	2011	7,591
Direct Grant Airport Improvement Program Rehab taxiway A & Terminal apron Phase I	20.106	2011	426,224

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF RICHMOND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2011
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF TRANSPORTATION (continued)</u>			
Pass-Through Indiana Department of Transportation ARRA - Formula Grants for Other Than Urbanized Areas Tier 2 - Building	20.509	EDS# A249-10-321079	6,654
Total for federal grantor agency			<u>1,211,559</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Direct Grant			
Brownfields Assessment and Cleanup Cooperative Agreements Gorge Parking Lot Starr-Gennett Brownfield	66.818	BF00E34301 BF00E61501	127,878 40,860
Total for program			<u>168,738</u>
Pass-Through Indiana Department of Environmental Management Capitalization Grants for Clean Water State Revolving Funds Tertiary Building Modifications and Improvements	66.458	WW 09 142 89 02	61,619
Total for federal grantor agency			<u>230,357</u>
<u>U.S. DEPARTMENT OF ENERGY</u>			
Direct Grant			
ARRA-Energy Efficiency and Conservation Block Grant Program (EECBG) Transportation Study and LED Traffic Lights	81.128	DE-FOA-0000013	37,775
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Pass-Through Indiana Department of Health Aging Cluster			
Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers Paratransit 2010-11 Paratransit 2011-12	93.044	2010-11 2011-12	17,591 17,591
Total for federal grantor agency			<u>35,182</u>
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>			
Direct Grant			
Retired and Senior Volunteer Program Retired and Senior Volunteer Program	94.002	2011	29,528
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Grant			
Assistance to Firefighters Grant Equipment Grant	97.044	2011	86,400
Total federal awards expended			<u>\$ 4,418,618</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF RICHMOND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Richmond (City) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

II. Loans Outstanding

The City had the following loan balances, with continuing federal compliance requirements, outstanding at December 31, 2011. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2011
Economic Adjustment Assistance	11.307	\$ 878,700

CITY OF RICHMOND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
CDBG-State-Administered CDBG Cluster	

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF RICHMOND
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF RICHMOND
EXIT CONFERENCE

The contents of this report were discussed on July 16, 2012, with Sarah L. Hutton, Mayor; Walt Chidester, City Attorney; Tony Foster, Metropolitan Development Director; Tammy S. Glenn, Controller; Valerie Fonzer, Deputy City Controller; William Harris, Sanitary District Director; Vicki A. Robinson, President of the Board of Public Works and Safety and Purchasing Director; Richard Bodiker, President of the Board of Sanitary Commissioners; Ron Oler, member of the Common Council; and Phil Quinn, President of the Common Council. The Official Response has been made a part of this report and may be found on pages 48 and 49.



SALLY L. HUTTON
Mayor

CITY OF RICHMOND

50 NORTH FIFTH STREET - RICHMOND, IN 47374
PHONE (765) 983-7207 - FAX (765) 983-7212
Email - mayor@richmondindiana.gov

July 16, 2012

OFFICIAL RESPONSE TO 2011 AUDIT FINDINGS

As Mayor of the City of Richmond, I am writing my official response to the 2011 Audit Findings of the City of Richmond.

In the summer of 2011 the City of Richmond ("City") learned that the Model T Ford Club on America, Inc. ("Model T") had to move from its existing location outside of Centerville, Indiana. Representatives of Model T came to the City and inquired as to any assistance the City could provide them in relocating. Model T representatives informed the City that if they were not able to relocate in the area they might have to move their headquarters elsewhere. Both Model T and the City thought that the area in the Depot district would fit perfectly with the needs of Model T as well as the needs of the Depot district and the City.

When the City of Richmond was negotiating with Kyle Tom in the summer and fall of 2011 for the purchase of some of his real estate located in the Depot district, Mr. Tom was agreeable to the City purchasing the real estate for less than a valid, bona-fide offer to purchase he had recently received for the same real estate from a national chain company. However, Mr. Tom also made clear to the City that he would be incurring extensive moving and relocation expenses if he sold the real estate to the City. If the City could reach an agreement with him on the real estate and relocation expenses, Mr. Tom stated he would be willing to sell the real estate local to help preserve the Depot district and to assist Model T. The City believed that it had to take action to preserve the unique historical attributes and character of the Depot district by keeping the Model T in our community. If the City did not take such action, then the proposed building by the national chain company would irrevocably alter the character of the Depot district.

These circumstances, an opportunity to obtain the real estate in the Depot district and preserve and protect the unique and non-duplicative character of the Depot district or risk losing the uniqueness of the Depot district to a national chain box store in the district, resulted in the City entering into an agreement with Mr. Tom to purchase the real estate and to reimburse him for valid and necessary extensive relocation expenses.

Mr. Tom, a realtor and landlord in the Richmond-Wayne County area, had a warehouse with a central business address for his rental operations that was located in the warehouse building Model T wished to purchase for its museum. Mr. Tom's warehouse building had an extensive and large collection of goods and materials he used in his real estate and rental business. The building was filled to capacity with his personal property and numerous items he used for his rental and realtor business as well as storage for other items. In his negotiations with the City, Mr. Tom insisted, and made clear, that that

personal property located in the warehouse building had to be moved before December 31, 2011 so that Model T could be in the proposed museum building by that date. Because of the rushed time period for this process, Mr. Tom stated that in addition to the costs of relocation he would also incur costs higher than normal. Mr. Tom also made clear that his relocation expenses would include obtaining costs of relocating his business and expenses incurred in change of address, marketing and awareness of my new location. Because of the timeframe that the Model T museum faced (they had to be out of their then lodging by the end of December of 2011), the City thought it had no choice but to agree to pay for the relocation and moving expenses of Mr. Tom. The City knew that because much time had passed with drafts of documents, required meetings and extensive negotiations involving 2 not-for-profit entities in addition to Mr. Tom, the window to accomplish the move by the end of 2011 was very brief.

Because Mr. Tom had renters in some of his buildings that he had to move out by the end of the year as well as find them new lodgings in that time period, he also required, as part of his willingness to sell, to be reimbursed for his cost of relocating his renters as a result of this move. Because the negotiations were ongoing and not finalized until sometime in November of 2011, no final notice could be given to Mr. Tom's tenants until the purchase agreements were finalized. Resolutions by the necessary City agency occurred in November of 2011 and the closing on the sale of the real estate was held on December 2, 2011.

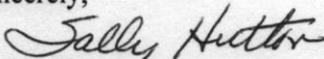
The expenses Mr. Tom required were, in the opinion of the City, necessary and reasonable. Under the circumstances of the sale and moving property out of the warehouse building, it was difficult to ascertain a fixed, exact amount of the total cost of the relocation expenses of Mr. Tom's personal property and renter expenses, as well as his notice cost of his new business location. The figure Mr. Tom gave was approximate, an estimate. The extensive relocation expenses were part of the agreement to sell his real estate. It was a package deal that Mr. Tom required to be paid upfront at closing if the City was to be able to purchase Mr. Tom's Depot real estate.

Mr. Tom has provided the City with copies of checks documenting some of his expenses in having the personal property moved from his warehouse. These checks are for monies paid to workers who helped moved the personal property, as well as some of the monies paid to ongoing staff of Mr. Tom who had to drop everything to rush through the closing process in a short period of time. These checks also included equipment costs and other related expenses.

The City acted in the best interests of the City and its citizens by quickly responding to an opportunity to save and preserve a unique area of the City and to bring a valuable cultural and historical entity into the City. Because of the unusual circumstances of this transaction for the City as well as Model T's need to timely relocate, the City was not able to get all documentation as it normally would. The City is expecting to receive additional documentation from Mr. Tom and will forward that to you when received.

Should you have any questions, please contact me.

Sincerely,


Sally Hutton

Mayor