

City of Richmond, Texas

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

Fiscal Year Ended September 30, 2017



RICHMOND

EST. **TEXAS** 1837

EVALYN W. MOORE
MAYOR

BARRY C. BEARD
CARL DROZD
JOSH LOCKHART
JESSE TORRES
COMMISSIONERS

City of Richmond, Texas

Vision Statement

Great opportunities and significant challenges are ahead. The goals of the City Commission for this century are to:

- encourage, promote, and welcome expanding residential and business growth and development;
- provide safe, secure, family-oriented communities;
- influence, foster, and maintain the interest of safety;
- protect and preserve well-known historic sites and memorabilia and provide a healthy business and economic atmosphere.

It is our belief that each resident and business is of the utmost importance and deserves the very best that taxpayer dollars can provide in order to develop and maintain a city that is financially secure and one in which we can all be proud!



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

CITY OF RICHMOND, TEXAS

**For the fiscal year ended
September 30, 2017**

**Terri Vela
City Manager**

**Prepared by
Finance Department**

CITY OF RICHMOND, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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Introductory Section

City of Richmond
402 Morton Street
Richmond, TX 77469
(281) 342-5456



March 26, 2018

Honorable Mayor and Members of the City Commission
City of Richmond, Texas

State law requires that all general-purpose local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles (“GAAP”) and audited in accordance with U.S. generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, the comprehensive annual financial report of the City of Richmond, Texas (the “City”) for the fiscal year ended September 30, 2016, is hereby submitted.

The responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. The report consists of management's representations concerning the finances of the City. To provide a reasonable basis for making these representations, the City has established a comprehensive internal control framework that is designed to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financials in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we believe the enclosed data to be accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City's financial statements have been audited by Whitley Penn, LLP, Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the year ended September 30, 2017, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City, incorporated in 1837 as one of the first three cities in the Republic of Texas, is located in Fort Bend County at the site of Stephen F. Austin's original colonies in Texas and currently occupies a land area 4.2 square miles and serves a population of 12,092. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Commission.

The Commission, vested with policy-making and legislative authority, is comprised of a Mayor and four Commission members. The Mayor and Commission members are all elected at large for staggered three-year terms, with no term limits. The City Commission is responsible, among other things, for passing ordinances, adopting the budget and hiring the City's manager, attorney and municipal judge.

The City provides a full range of municipal services: public safety (police and fire protection), public improvements, sanitation, repair and maintenance of infrastructure, recreation and general administrative services. As an independent political subdivision of the State of Texas governed by an elected Mayor and four Commissioners, the City is considered a primary government. In accordance with standards established by the Governmental Accounting Standards Board, the City reports all funds for which the City, as the primary government, is accountable.

The annual budget serves as the foundation for the City's financial planning and control. Department heads are required to submit requests for appropriation to the Finance Director in June of each year. The City Manager then presents the proposed budget to the Commission for review. The Commission is required to hold a public hearing on the proposed final budget and to adopt a final budget by no later than September 30, the close of the City's fiscal year. The appropriated budget is prepared by fund and department (e.g. police). Department heads make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the approval of Commission. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. The City has adopted a budget for the General, Debt Service, and Enterprise Funds, but not the Special Revenue or Capital Projects Funds. The City also utilizes an encumbrance accounting system to aid in accomplishing budgetary control. Unencumbered amounts lapse at year end. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

LOCAL ECONOMY

The City of Richmond is home to a diversified group of industries. Major industries and business activities in the area include healthcare, metals, oil and gas services, higher education, hospitality and a variety of general retail operations. This diversification is evident in the fact that no single taxpayer represents more than 5.1% of assessed valuation in the City.

Taxable assessed value for all residential and commercial property in the City exceeded \$514 million for fiscal year 2017, which is a 3.4% increase from fiscal year 2016.

ECONOMIC OUTLOOK

The planned development of over 1,000 acres of prime ranch land along the City's Interstate 69 (I-69) corridor is fueling a springboard of economic speculation and activity within the City's extraterritorial jurisdiction. Held by two private foundations with ties to the original settlers of Richmond, the prime acreage will be sustainable quality development which will create momentum for the benefit of Richmond's future generations. Partnership agreements are in place with both foundations to share in the sales tax generated from what is planned as high-end mixed use commercial and residential development in these areas. Additionally, water and sewer infrastructure capital contributions have been negotiated in order to

augment the City's capital commitment during this period of growth. Richmond's best interest is the focus of these two major foundations which is truly unique not only to Richmond, but Fort Bend County as a whole.

Currently, Johnson Development Corp. is exceeding expectations with its new Veranda community in the Henderson-Wessendorff Foundation acreage. Planned for up to 2,500 homes, Veranda spans 590 acres near the northwest corner of Williams Way Boulevard and U.S. 59 in Richmond. Additionally, Johnson Development has acquired an additional 118 acres of commercial frontage along FM 762, and has agreed to allow the City to annex this property. The agreement between the City and Johnson Development has been dubbed extremely innovative, and will provide a virtually risk-free arrangement, the City will not only expand its city limits along the FM 762 corridor directly accessing I-69, but will also benefit from the estimated \$980,000 in annual increased revenue through property tax and sales tax from the planned build-out that will be generated from this parcel.

The homes in Veranda are averaging \$220,000 and incorporate nostalgic elements such as expansive porches and other outdoors spaces in the designs. Additionally, HEB has opened a new store located in the George Foundation acreage of Fort Bend Municipal Utility District 207. The City will be sharing the sales tax proceeds 50/50 with the Municipal Utility District created on the George Foundation acreage.

Average home values in the City continue to increase as new investments are being made. This year, the City has seen average home values increase from \$116,532 to \$118,355 for the fiscal year beginning October 1, 2017. Unemployment for our Metropolitan Statistical Area has remained steady at 4.8% year over year.

ACCOUNTING SYSTEMS AND BUDGETING CONTROL

Accounting Systems

The City's accounting records for general governmental operations are maintained on a modified accrual basis with the revenues recorded when available and measurable and expenditures recorded when the services and goods are received and the liabilities are incurred. Accounting records for the City's proprietary activities are maintained on the accrual basis.

Consideration of adequate internal accounting controls has been made in designing the City's accounting system. Internal accounting controls, instituted by the Finance Department as part of the accounting system, are designed to provide reasonable assurances that assets are properly safeguarded against loss from unauthorized use or disposition, that financial records used in preparation of the financial statements are reliable, and that accountability for the City's assets is maintained. The concept of reasonable assurance in relation to internal controls recognizes that the cost of a control process should not exceed the benefits derived from the performance of related procedures and that the City's management must make estimates and judgments in evaluating the cost and benefit relationships relating to internal control processes and procedures that become a part of the City's accounting system.

Budgetary Compliance

Because budgetary compliance is significant in managing governmental activities, budgetary compliance controls are critical. The objective of these controls is to ensure compliance with legal spending limits in annual or project appropriated budgets approved by City Commission. State Law provides that the City Commission shall adopt annual or project budgets every fiscal year for all City funds. The budgets are prepared and maintained by the City.

The objective of budgetary controls is to ensure compliance with legal provisions contained in the annual appropriated budget approved by the City Commission. Annual appropriated budgets are adopted for the general, debt service, and enterprise funds. The original budget is adopted by the City Commission prior to the beginning of the fiscal year. Expenditures may not legally exceed budgeted appropriations at the department level. Expenditure requests, which would require an increase in total budgeted appropriations, must be approved by City Commission through a formal budget amendment. At any time in the fiscal year, the Commission may make emergency appropriations to meet a pressing need for public expenditure in order to protect the public health, safety, or welfare. The Commission has the power to transfer any unencumbered funds allocated by the budget from one activity, function, or department, to another activity, function, or department, to re-estimate revenues and expenditures, and to amend the budget.

Budget Process

According to the City of Richmond's charter, the fiscal year shall begin on the first day of October and end on the last day of September on the next succeeding year. Such Fiscal year shall also constitute the budget and accounting year. The following process is followed in order to meet the requirements of the City's charter.

Submission of Budget and Budget Message

On or before August 15th of the fiscal year, the City Manager shall submit to the City Commission a budget for the ensuing fiscal year and an accompanying budget message. The proposed budget submitted to Commission for review will be an itemized budget in accordance with state law.

Budget Message

The City Manager's message shall explain the budget both in fiscal terms and in terms of the work programs. It shall outline the proposed financial policies of the City for the ensuing fiscal year, describe the important features of the budget, indicate any major changes from the current year in financial policies, expenditures and revenues together with the reasons for such changes, summarize the City's debt position and include such other material as the City Manager deems desirable.

Budget a Public Record

In accordance with state law, the proposed budget and all supporting schedules shall be filed with the person performing the duties of City Secretary when submitted to the City Commission and shall be open to the public inspection by anyone interested. A notice of availability shall be published in the official newspaper within ten (10) days of the budget being presented to City Commission.

Public Hearing on Budget

At the City Commission meeting when the budget is submitted, the City Commission shall name the date and place of a public hearing and shall have published in the official newspaper of the City, the time and place, which will be not less than the ten (10) days nor more than thirty (30) days after the date of notice. At this hearing, interested citizens may express their opinions concerning items of expenditures, giving their reasons for wishing to increase or decrease any items of expense.

Proceeding on Adoption of Budget

After public hearing, the City Commission shall analyze the budget, making any additions or deletions which they feel appropriate, and shall, at least ten (10) days prior to the beginning of the next fiscal year, adopt the budget by the affirmative vote of a majority of the City Commission. Should the City Commission take no final action on or prior to such day, the current budget shall be in force on a month-to-month basis until a new budget is adopted, but budget must be approved within sixty (60) days of the next fiscal year.

Budget Appropriation and Amount to be Raised by Taxation

On final adoption, the budget shall be in effect for the budget year. Final adoption of the budget by the City Commission shall constitute the official appropriations as proposed by expenditures for the current year and shall constitute the basis of official levy of the property tax as the amount of tax to be assessed and collected for the corresponding tax year. Estimated expenditures will in no case exceed proposed revenue plus cash on hand. Unused appropriations may be transferred back to general funds.

Amending the Budget

Under conditions which may arise and which could not reasonably have been foreseen in the normal process of planning the budget, the City Commission may, by the affirmative vote of a majority of the City Commission, amend or change the budget to provide for any additional expense in which the general welfare of the citizenry is involved. These amendments shall be by ordinance and shall become an attachment to the original budget.

Certification; Copies Made Available

A copy of the budget, as finally adopted, shall be filed with the person performing the duties of City Secretary and such other places required by state law or as the City Commission shall designate. The final budget shall be printed or otherwise reproduced and sufficient copies shall be available for the use of all office, agencies and for the use of interested persons and civic organizations. A notice of availability shall be published in the official newspaper within ten (10) days of the budget being approved by the City Commission.

Capital Program

The City Manager shall submit a five (5) year capital program as an attachment to the annual budget. The program as submitted shall include:

1. A clear general summary of its contents;
2. A list of all capital improvements which are proposed to be undertaken during the five (5) fiscal years succeeding the budget year, with appropriate supporting information as to the necessity for such improvements;
3. Cost estimates, method of financing and recommended time schedules for each improvement, and
4. The estimated annual cost of operating and maintaining the facilities to be constructed or acquired.

Lapse of Appropriations

Every appropriation, except an appropriation for a capital expenditure, shall lapse at the close of the fiscal year to the extent that it has not been expended or encumbered. An appropriation for a capital expenditure shall continue in force until the purpose for which it was made has been accomplished or abandoned. The purpose of any such appropriation with the exception of a bond fund, shall be deemed abandoned if three (3) years pass without any disbursement from or encumbrance of the appropriation. Any funds not expended, disbursed or encumbered shall be deemed excess funds.

Additional Funding

In any budget year, the City Commission may in accordance with state law, by affirmative vote of a majority of the Commission Members, authorize the borrowing of money. Notes may be issued which are repayable not later than the end of the current fiscal year.

Administration of the Budget

No payment shall be made or obligation incurred against any allotment or appropriation except in accordance with appropriations duly made, unless the City Manager, or the City Manager's designee, states or ensures first that there is a sufficient unencumbered balance in such allotment or appropriation and that sufficient funds therefore are or will be available to cover the claim or meet the obligation when it becomes due and payable.

Any authorization of payment or incurring of obligation in violation of the provisions of this Charter shall be void and any payment so made illegal. Such action shall be cause for removal of any officer who knowingly authorized or made such payment or incurred such payment or obligation, and the officer shall also be liable to the City for any amount so paid.

This prohibition shall not be construed to prevent the making or authorizing of payments or making of contracts for capital improvements to be financed wholly or partly by the issuance of bonds, time warrants, certificates of indebtedness or certificates of obligation or to prevent the making of any contract or lease providing for payments beyond the end of the fiscal year, providing that such action is made or approved by ordinance.

The City manager shall submit to the City Commission each month a report covering the revenues and expenditures of the City in such form as requested by the City Commission.

The City's General Fund balance shall be enough to handle any unexpected decrease in revenues or unbudgeted expenditures during the fiscal year. The minimum fund balance should be within the range of ninety (90) days of operating expenditures.

LONG-TERM FINANCIAL PLANNING

The established long-range policies regarding financial management are to retain a sound financial condition, strive to retain the best possible ratings on bonds, and provide future generations with the ability to borrow capital for construction of facilities, street, and drainage improvements without a severe financial burden. The City's current bond rating by Standard & Poors is AA-.

The City has adopted Comprehensive Master and Land Use Plans, a Trails Master Plan, Water and Sewer Master Plans, and is finalizing a Facilities Master Plan. Additionally, components of each of these plans are summarized into a Long-term Capital Improvements Plan. Each of the adopted master plans is reviewed every five (5) years unless the need requires a sooner review. The master plans are a working model in which major projects are pinpointed, planned, engineered, and costs evaluated.

The City's strategic planning and budget processes are most closely related to the long-term capital improvement plan. The City underwent a strategic planning process in 2012, which aligned the goals of the City with its actions, and is currently updating this plan. The City has also created a strategic budgeting process that links with the strategic plan to ensure that the priorities identified are funded. The Long Term Capital Improvements Plan acts in concert with these other plans to provide critical financial information to these planning processes at key junctures. In this way, other planning processes will be better able to set achievable goals in light of available resources, and ensures the City can identify and close any financial gaps projected by the long-term capital improvements planning process.

The three legs of the foundation for the future of Richmond and its assured financial health is the combination of the Long-Term Capital Improvements Plan, the Strategic Plan, and the Comprehensive Master and Land Use Plan. These three processes play key roles in establishing a firm financial foundation for Richmond, and support the goals the City has set.

RELEVANT FINANCIAL IMPACTS

The Fort Bend Subsidence District (Subsidence District) was created by the Texas Legislature in 1989. In 2003, the Subsidence District adopted its District Regulatory Plan (Regulatory Plan) to reduce subsidence by regulating the withdrawal of Groundwater within Fort Bend County.

The Regulatory Plan requires Groundwater permit holders within the Richmond/Rosenberg Sub-Area (as described by the Regulatory Plan) to limit their Groundwater withdrawals to seventy percent of their water consumption by 2016 and forty percent by 2025. The City of Richmond Groundwater Reduction Plan (GRP) was submitted to and approved by the Subsidence District prior to the September 30, 2010 deadline as set out in the Subsidence District Regulatory Plan.

The City has contracted with the Brazos River Authority for surface water available in the Brazos River. The City of Richmond completed the construction of a surface water treatment facility in March, 2018. The surface water treatment facility and water transmission lines (including its GRP Partners) cost approximately \$16 million dollars to meet the Subsidence District requirements through 2025. Additionally, the City (and its GRP Partners) constructed an estimated \$8.7 million dollars in City water system improvements to deliver the surface water to its customers. It is expected this Capital Investment will result in long-term increases in operating costs connected with the operation and maintenance of the new facilities.

AWARDS AND ACKNOWLEDGEMENTS

Awards

The Government Finance Officers Association (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (“CAFR”) for the fiscal year ended September 30, 2016. This was the 13th year that the City received this prestigious award.

In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, the government has to publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of only one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program’s requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Other Awards:

- “2016 Community of the Year Award” – American Planning Association Texas Chapter.
- “Comprehensive Master Plan of the Year” – American Planning Association Texas Chapter.
- “Parks and Natural Areas Award 2016” – Special recognition for the Trails Master Plan by Houston-Galveston Area Council.
- “Distinguished Budget Presentation Award Fiscal Year Ended September 30, 2017” – Government Finance Officers Association
- “2017 Public Official of the Year” City Manager Terri Vela – University of Houston Master of Public Administration Program

Recognitions

- “Texas Best Practices Recognition Program” – Texas Police Chief’s Foundation
- “Scenic City Certification” Bronze Level for 2015-2020 Period – Scenic Texas

Acknowledgements

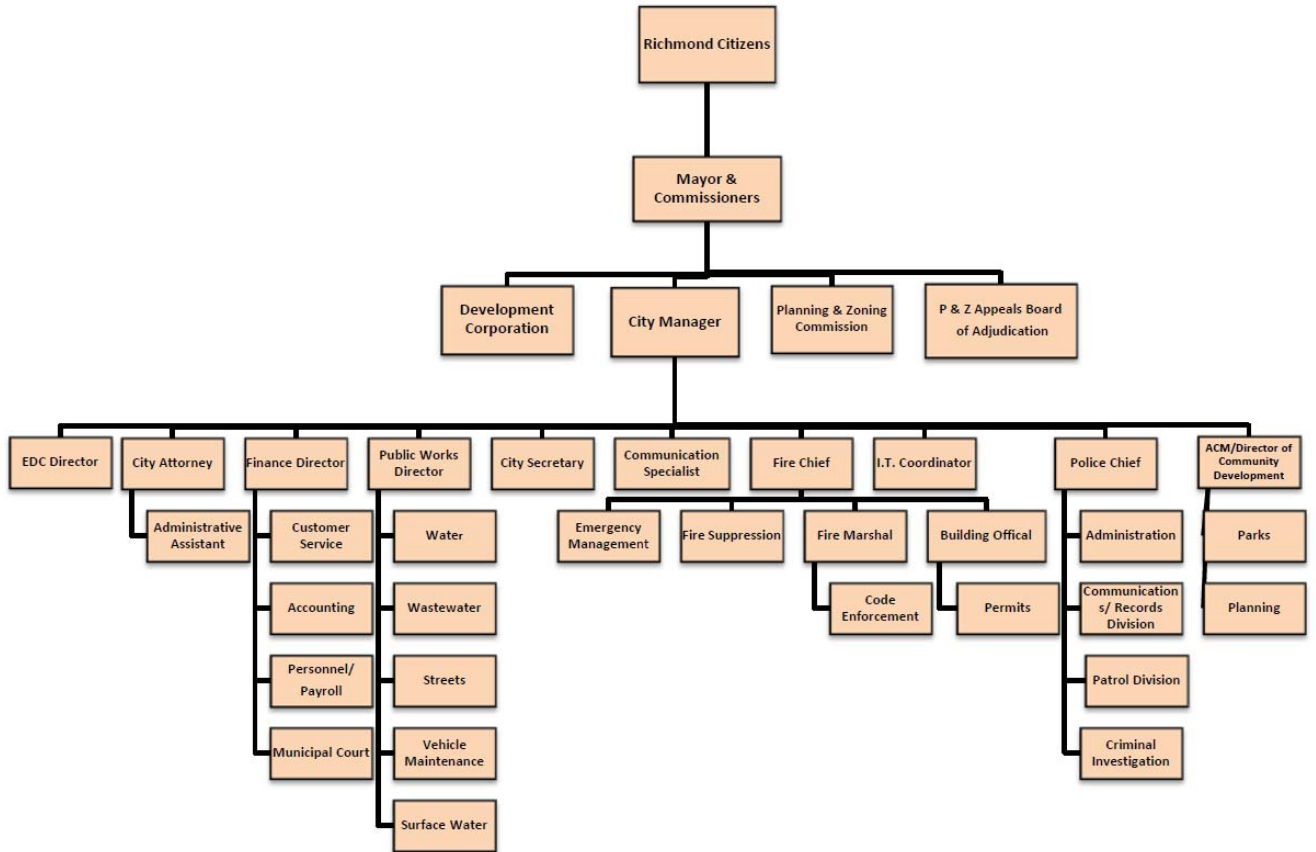
In closing, without the dedication of the employees and the direction of the members of the City Commission, preparation of this report would not have been possible. We would like to express our sincere appreciation to our employees, who have continually demonstrated their professionalism and abilities in the management of the finance function of their respective departments. We also want to thank the Members of the City Commission for their support in planning and conducting the financial operations of the City in a responsible and proactive manner.

Respectfully submitted,


Terri Vela
City Manager


Susan Lang
Finance Director

CITY OF RICHMOND, TEXAS
ORGANIZATION CHART
September 30, 2017



CITY OF RICHMOND, TEXAS

PRINCIPAL CITY OFFICIALS

September 30, 2017

City Officials	Elective Position	Term Expires
Evalyn W. Moore	Mayor	2020
Jesse Torres	Commissioner Position 1	2018
Barry C Beard	Commissioner Position 2	2019
Carl Drozd	Commissioner Position 3	2018
Josh Lockhart	Commissioner Position 4	2019

Key Staff	Position
Terri Vela	City Manager*
Phyllis A. Ross	Municipal Court Judge *
Gary Smith	City Attorney *
Gary Adams	Police Chief
Howard Christian	Public Works Director
Jessica Duet	Director of Planning
Susan Lang	Finance Director
Laura Scarlato	City Secretary
Michael Youngblood	Fire Chief

* - City Commission Appointive Position



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Richmond
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morill

Executive Director/CEO

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FINANCIAL SECTION

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Report of Independent Auditors

To the Honorable Mayor and
Members of the City Commission
and the Citizens of the City of Richmond

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Richmond, Texas (the "City") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Honorable Mayor and
Members of the City Commission
and the Citizens of the City of Richmond

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 14, budgetary comparison information on pages 54 through 55, and pension system supplementary information on pages 57 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

Whitley Penn LLP

Houston, Texas
March 26, 2018

CITY OF RICHMOND, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Richmond (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2017.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$64.5 million (*net position*). Of this amount, \$6.1 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$5.4 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9.1 million, a decrease of \$1.5 million over the prior year. Approximately 54% of this total amount, \$4.9 million, is *available for spending* at the government's discretion (*unassigned fund balance*).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference between the four reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, and parks and recreation. The business-type activities of the City include a water and sewer operating fund.

The government-wide financial statements include the City itself (known as the *primary government*), but also a legally separate Development Corporation of Richmond and the Richmond Higher Education Finance Corporation. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 17 through 19 of this report.

CITY OF RICHMOND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 12 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, and Capital Projects Funds, which are considered to be major funds. Data from the other 10 governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for its General Fund and Debt Service Fund. Budgetary comparison statements have been provided to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 20 through 23 of this report.

Proprietary Funds

The City maintains two types of proprietary funds, which is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer utility and surface water activities.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operating fund that is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages 24 through 26 of this report.

CITY OF RICHMOND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Combining Component Unit Financial Statements

The City's two discretely presented component units shown in aggregate on the face of the government-wide financial statements have individual information presented in the form of combining statements immediately following the fund financial statements of the primary government.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29 through 52 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees and general fund budgetary comparisons. Required supplementary information can be found on pages 54 through 55 of the City's Comprehensive Annual Financial Report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found beginning on page 62 of the City's Comprehensive Annual Financial Report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$64.5 million (net position). At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

By far, the largest portion of the City's net position, 81%, reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF RICHMOND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Government-wide Financial Analysis (continued)

The following table provides a summary of the City's net position at September 30, 2017 and 2016:

CONDENSED SCHEDULE OF NET POSITION

September 30, 2017

Amounts in (000's)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 10,811	\$ 12,248	\$ 15,258	\$ 26,934	\$ 26,069	\$ 39,182
Capital assets	20,891	17,794	59,513	45,472	80,404	63,266
Total Assets	<u>31,702</u>	<u>30,042</u>	<u>74,771</u>	<u>72,406</u>	<u>106,473</u>	<u>102,448</u>
Deferred outflows of resources	<u>1,962</u>	<u>2,236</u>	<u>485</u>	<u>553</u>	<u>2,447</u>	<u>2,789</u>
Other liabilities	1,277	1,295	5,316	5,180	6,593	6,475
Long-term liabilities	16,890	18,108	15,591	16,247	32,481	34,355
Net pension liability	4,007	3,867	1,002	967	5,009	4,834
Total Liabilities	<u>22,174</u>	<u>23,270</u>	<u>21,909</u>	<u>22,394</u>	<u>44,083</u>	<u>45,664</u>
Deferred inflows of resources	<u>240</u>	<u>340</u>	<u>60</u>	<u>85</u>	<u>300</u>	<u>425</u>
Net position:						
Net investment in capital assets	8,051	5,322	43,928	39,690	51,979	45,012
Restricted	954	1,038	5,548	3,898	6,502	4,936
Unrestricted	2,245	2,308	3,811	6,892	6,056	9,200
Total Net Position	<u>\$ 11,250</u>	<u>\$ 8,668</u>	<u>\$ 53,287</u>	<u>\$ 50,480</u>	<u>\$ 64,537</u>	<u>\$ 59,148</u>

An additional portion of the City's net position, 10%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$6.1 million, may be used to meet the government's ongoing obligations to citizens and creditors.

The City's net position increased by \$5.4 million during the current fiscal year, demonstrating the ability of the City's revenues to keep pace with annual expenses.

CITY OF RICHMOND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Government-wide Financial Analysis (continued)

The following table summarizes the changes in net position for the City for the year ended September 30, 2017.

CONDENSED SCHEDULE OF CHANGES IN NET POSITION

For the Year Ended September 30, 2017

Amounts in (000's)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues						
Program revenue:						
Charges for services	\$ 4,718	\$ 4,430	\$ 12,090	\$ 10,886	\$ 16,808	\$ 15,316
Operating grants and contributions	2,477	1,161			2,477	1,161
Capital grants and contributions				846		846
General revenues:						
Property taxes	3,727	3,615			3,727	3,615
Sales and use taxes	4,522	4,232			4,522	4,232
Franchise taxes	800	761			800	761
Unrestricted investment earnings	14	8	15	17	29	25
Miscellaneous	304	125			304	125
Loss on disposal of assets						
Total Revenues	<u>16,562</u>	<u>14,332</u>	<u>12,105</u>	<u>11,749</u>	<u>28,667</u>	<u>26,081</u>
Expenses:						
General government	2,068	2,142			2,068	2,142
Public safety	8,955	7,980			8,955	7,980
Public works	3,143	4,124			3,143	4,124
Parks and recreation	1,097	703			1,097	703
Community development	248	138			248	138
Interest on long-term debt	539	612			539	612
Water and sewer			5,710	5,620	5,710	5,620
Surface water			1,518	1,515	1,518	1,515
Total Expenses	<u>16,050</u>	<u>15,699</u>	<u>7,228</u>	<u>7,135</u>	<u>23,278</u>	<u>22,834</u>
Increase in net position before transfers	512	(1,367)	4,877	4,614	5,389	3,247
Transfers	<u>2,070</u>	<u>2,403</u>	<u>(2,070)</u>	<u>(2,403)</u>		
Change in net position	2,582	1,036	2,807	2,211	5,389	3,247
Net Position - Beginning	<u>8,668</u>	<u>7,632</u>	<u>50,480</u>	<u>48,269</u>	<u>59,148</u>	<u>55,901</u>
Net Position - Ending	<u>\$ 11,250</u>	<u>\$ 8,668</u>	<u>\$ 53,287</u>	<u>\$ 50,480</u>	<u>\$ 64,537</u>	<u>\$ 59,148</u>

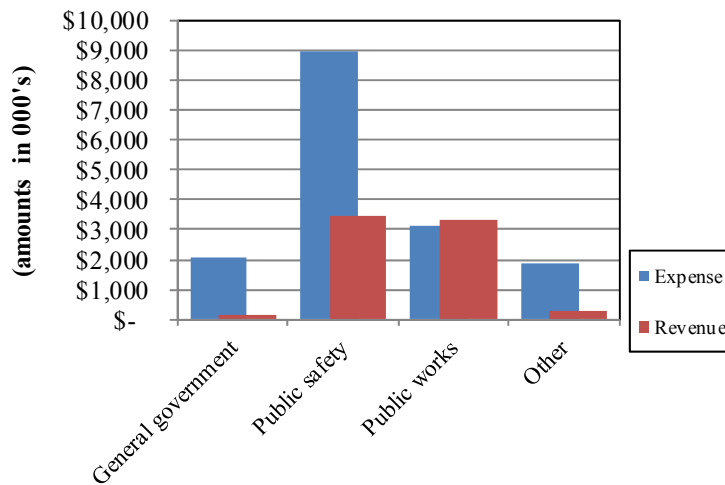
CITY OF RICHMOND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Governmental Activities

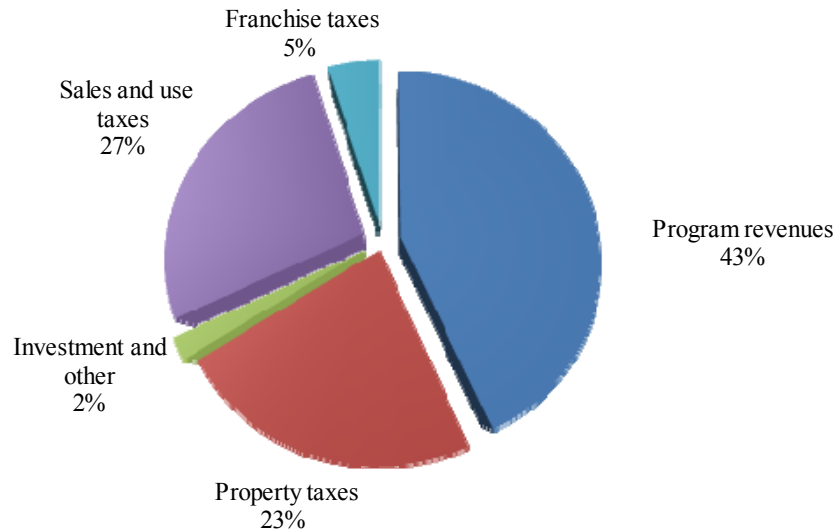
Governmental activities increased the City's net position by approximately \$2.6 million or 30% of beginning net position. The key elements of this increase are as follows:

- Increase in sales tax revenue of \$290,509 due to new commercial growth and an increase in consumer spending.
- Increase in service fees of \$288,250 which is comprised of growth related components such as garbage collection fees, inspection and plan review fees, and fire protection fees as per interlocal agreements with neighboring communities in the City's extraterritorial jurisdiction.
- Increase in grants for public safety equipment & personnel in the amount of \$1,316,000.

A comparison of program expenses to program revenues follows:



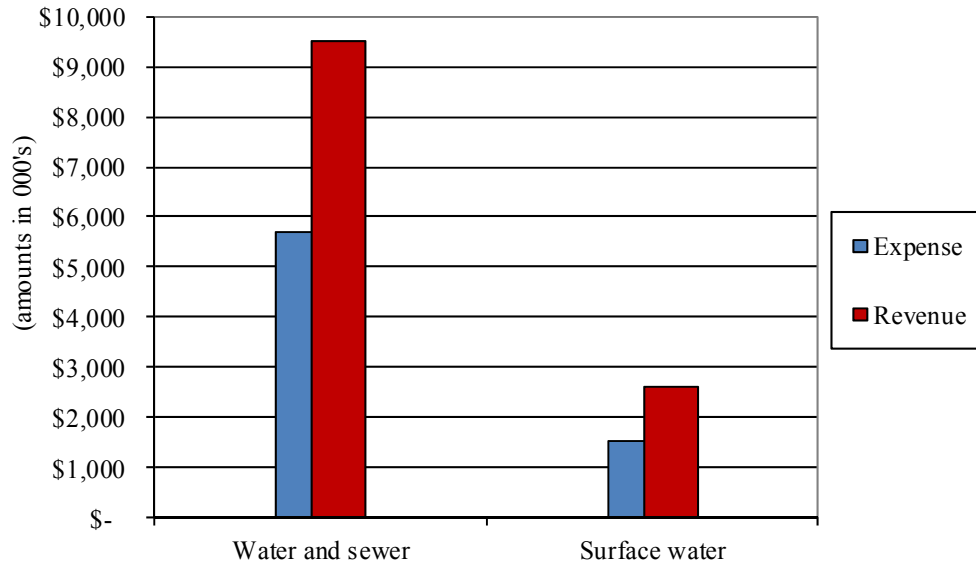
Revenue sources for governmental activities were distributed as follows:



CITY OF RICHMOND, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)

Business-type Activities

Business-type activities increased the City’s net position by approximately \$2.8 million. Operating revenues (charges for services) of the business-type activities increase by approximately \$1.2 million as a result of an increase in ground water reduction fees and impact fees due to growth in and around the city’s extraterritorial jurisdiction. A comparison between expenses relating to water and sewer operations and program revenues (charges for services) for water and sewer and surface water activities follows:



Revenue sources for business-type activities were almost entirely comprised of charges for water and sewer services.

Financial Analysis of the Government’s Funds

As noted earlier, the City used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City’s governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

At the close of the current fiscal year, the City’s governmental funds reported a combined ending fund balance of \$9.1 million, a decrease of approximately \$1.5 million from the prior year. Key elements of this decrease are as follows:

- Total expenditures of the governmental funds were \$20.1 million, an increase of \$2.9 million from prior year. Major components of the increase are due to an increase of \$975,000 in public safety infrastructure and equipment and new park improvements.

CITY OF RICHMOND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Governmental Funds (continued)

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance was \$4.9 million. The General Fund fund balance increased by \$226,171 from fiscal year 2016. The key elements of this increase are as follows:

- Sales and use tax revenue of \$4.5 million, which increased by \$290,509 as a result of increased commercial growth and consumer spending in the City.
- Revenues from charges for services of \$4.7 million, which increased by \$288,250 due to increased development around the City which increased billings for garbage collections and fire protection fees in the participating MUDs.

At the close of the current fiscal year, the City's capital projects fund reported a fund balance of \$3.3 million, a net decrease of \$1,609,146 from the prior year. The decrease is due to the use of bond proceeds to purchase right-of-ways for front street and the acquisition of fire equipment and architectural fees for fire station #2.

Proprietary Funds

The City maintains two types of proprietary funds. Proprietary funds are used to report the same type of information found in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer utility, and its surface water utility.

Unrestricted net position of the Water and Sewer Enterprise Fund at the end of the year amounted to \$1.0 million or 17% of annual operating and non-operating expenses for the fund.

The Surface Water Enterprise Fund, formerly reported as part of the Water and Sewer Enterprise Fund had an unrestricted net position of \$2.9 million or 274% of annual operating and non-operating expenses for the fund.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget primarily relate to an increase in capital improvement related project activity.

Actual revenues were more than budgeted revenues by \$576,632 primarily as a result of an increase in sales and use taxes and charges for services.

Appropriations exceeded expenditures, creating a positive variance to budget of \$328,117.

CITY OF RICHMOND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Capital Asset and Debt Administration

Capital Assets

At the end of fiscal year 2017, the City's governmental activities and business-type activities had invested \$20.8 million and \$59.5 million, respectively, in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents an increase of \$3.1 million, or 17% over the end of last fiscal year for the governmental activities' capital assets and a change of \$14 million or 30% for the business-type activities.

The following table shows the balances at **September 30, 2016** and 2017 (in \$000's):

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land and intangibles	\$ 3,983	\$ 3,169	\$ 1,927	\$ 1,332	\$ 5,910	\$ 4,501
Construction in progress	1,387	158	23,240	13,831	24,627	13,989
Capital assets, net of depreciation:						
Buildings	8,115	8,237	6,438	6,614	14,553	14,851
Improvements other than buildings	2,175	2,234	2,437	2,699	4,612	4,933
Infrastructure	2,786	2,278	25,321	20,836	28,107	23,114
Machinery and equipment	2,444	1,718	150	160	2,594	1,878
Total Capital Assets	<u>\$ 20,890</u>	<u>\$ 17,794</u>	<u>\$ 59,513</u>	<u>\$ 45,472</u>	<u>\$ 80,403</u>	<u>\$ 63,266</u>

Additional information on the City's capital assets can be found in Note 5 to the basic financial statements of this report.

Long-term Liabilities

At the end of the current fiscal year, the City had total bonded debt outstanding of \$30.6 million. This is a decrease from the prior year of \$1.7 million, primarily due payments made on the debt. The entire amount of bonded debt, to include general obligation and certificates of obligation, is backed by the full faith and credit of the City. A schedule of long-term debt at September 30, 2016 and 2017, follows (in \$000's):

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Bonds payable						
General obligation bonds	\$ 10,485	\$ 11,335	\$	\$	\$ 10,485	\$ 11,335
Certificates of obligation	5,190	5,460	14,905	15,535	20,095	20,995
Bond issuance premiums/discounts	493	537	620	650	1,113	1,187
Capital leases		81				81
Total Capital Assets	<u>\$ 16,168</u>	<u>\$ 17,413</u>	<u>\$ 15,525</u>	<u>\$ 16,185</u>	<u>\$ 31,693</u>	<u>\$ 33,598</u>

On November 2, 2017, Standard & Poor's Ratings Services affirmed its long-term debt rating and underlying rating (SPUR) on the City's general obligation (GO) of 'AA-'. The outlook is stable.

Additional information on the City's long-term debt can be found in Note 6 to the basic financial statements of this report.

CITY OF RICHMOND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Economic Factors

The City continues to partner with neighboring MUDs in order to leverage sales tax collection in areas outside its ETJ. Some partnerships include 100% sales tax going directly to the City, while the minimum is a 50/50 split of sales tax between the district and the City. These partnerships will continue to grow the City's revenue base without burdening existing taxpayers to provide other City services, such as public safety, streets and drainage.

- HEB – The City's existing agreement with Fort Bend MUD 207 will produce a 50/50 share of sales tax revenue for the recently opened HEB grocery store along the City's FM 762 Corridor. HEB is one of the nation's largest independently owned food retailers, and is currently seeking employees to staff their newest grocery store strategically placed in the City's ETJ in the boundaries of an existing strategic partnership agreement with MUD 207 for the limited purpose annexation of the commercial property located within the boundaries of the District. This limited purpose annexation should net the City approximately \$250,000 per year in sales tax revenue without drawing on the City's resources to maintain the area.
- Other major projects are being pursued in the area of Fort Bend MUD 207, whose mainly undeveloped land along both sides of I-69, will ultimately transform the look and economic viability of Richmond in perpetuity.

A major agreement with an existing renowned developer, Johnson Development, currently building in a neighboring MUD district has recently been accomplished which will allow the City to completely annex 118 acres (existing golf course) of planned expansion of the community into the City limits. Through the vision provided by the City Manager, the City was able to negotiate a reimbursement arrangement with the developer similar to existing MUD district techniques frequently used that will only be triggered when the supporting assessed values are certified on the tax roll. In this virtually risk-free arrangement, the City will not only expand its city limits along the FM 762 corridor directly accessing I-69, but will also benefit from the estimated \$980,000 in annual increased revenue through property tax and sales tax from the planned build-out that will be generated from this parcel. Additional one-time permit fees are projected to be \$325,000.

Since the City became home-rule based and passed its Charter in 2013, under the leadership of its City Manager, Terri Vela, we have positioned ourselves to stand above other cities to protect our growth and ensure the economic viability of the community. A few of the efforts put into place since 2013 are as follows:

- Planning and Zoning (the City of Houston does not have zoning) – Not only does zoning protect future development, it also preserves the values of the existing real estate to ensure the City will retain its stability in existing real estate investments and neighborhoods.
- Future Land Use Maps incorporating the City Limits and Extraterritorial Jurisdiction
- Unified Development Code dictating quality construction and landscaping standards
- Comprehensive Master Plan of the Year – American Planning Association Texas Chapter
- Special Recognition for the Trails Master Plan by Houston-Galveston Area Council's "Parks and Natural Areas Award 2016"
- Proud to be a Certified Scenic City – Bronze Level – Scenic Texas
- "2016 Community of the Year Award" American Planning Association Texas Chapter
- 2017 Public Official of the Year – Terri Vela, City Manager awarded by the University of Houston Master of Public Administration program. The award for Ms. Vela was due in large part to the economic development advances mentioned above, as well as her leadership during the 2016 Memorial Day flooding events and was recognized as one of only 4 individuals in the entire

CITY OF RICHMOND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Houston Metropolitan area to receive this award. She shared this honor with fellow recipient, Harris County Judge Ed Emmet.

Walmart – The City's long standing Walmart retail store just completed extensive remodeling during 2017, and is committed to provide quality retail to the City for years to come.

FM 359 corridor has been and will continue to be exploding with future annexation opportunities as the City has already laid the water and sewer infrastructure foundation.

Next Year's Budget and Rates

With exponential growth is on the City's horizon, the City's department heads, division superintendents and various consultants remain cognizant of the pains associated with rapid growth, and difficulties we face to stay on track utilizing our long-term planning tools. During this year's budget kick-off, emphasis was, once again, placed on the Comprehensive Master Plan Priorities as follows:

Comprehensive Master Plan Priorities (√ = Top Priority)

- √ A. User annexation as a strategic growth tool to expand Richmond's population and tax base.
- √ B. Leverage public investments to enhance the existing community and promote growth.
- √ C. Strengthen Transportation connections and increase choices between ways to travel.
- √ D. Elevate the appearance, quality, and compatibility of development.
- √ E. Create mixed-use activity centers that serve as community destinations.
- √ F. Rehabilitate and preserve Richmond's existing neighborhoods and community assets.
- √ G. Partner with existing local businesses to assist in their success and improve access to resources.
- H. Diversify Richmond's business and employer mix through innovation and strategic recruitment.
- I. Enhance and preserve Richmond's natural amenities.
- J. Strengthen the awareness and image of Richmond throughout the region.

Departments were asked to focus on projects already outlined in the Comprehensive Master Plan, Parks and Trails Master Plans and the soon-to-be-completed Water and Wastewater Master Plans. Guidance is also being sought through the goals of the Strategic Annexation Plan. Implementation of all the plans was made a priority during the budget kick-off as well as throughout the entire budget process. Emphasis was also placed upon critical thinking with identification of problem areas to be recognized with solutions presented simultaneously. Furthermore, a focus was placed upon the Information Technology infrastructure creating a proactive plan, rather than a reactive approach.

Total taxable ad valorem values have seen modest growth with an increase of \$24,634,454, or 4.95% over last year, which represents a total taxable ad valorem value of \$522,659,232. New improvements amounted to \$2,232,225 in added value for fiscal year 2018..

The City's sales tax revenue has seen strong increases over the last several years, however the growth has flattened out this year as projected, and we foresee one more year of stagnation being projected until more commercial businesses have completed construction later in the year. Therefore, sales tax has been projected for fiscal year 2018 with a conservative increase of approximately 3%. We continue to remain extremely cautious of our fragile economic environment and are budgeting accordingly.

Average home values in the City continue to increase as new investments are being made, but the available inventory is beginning to see an up-tick, which may begin to negatively affect the housing market in the future. This year, the City has seen average home values increase from \$116,532 to \$118,355 for the fiscal year beginning October 1, 2017.

CITY OF RICHMOND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*

The City is in the process of a water rate study, and it is anticipated that adjustments to the rates will be necessary to facilitate the operations of the surface water treatment facilities and corresponding debt payments. The City plans, however to continue with the already projected rate increase of \$0.10 for surface water fees at the beginning of fiscal year 2018, which will make the total rate per 1,000 gallons of water \$2.20 to assist with the operational costs of the surface water plant.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information should be addressed to the Finance Director, Susan Lang, 402 Morton Street, Richmond, Texas 77469.

BASIC FINANCIAL STATEMENTS

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CITY OF RICHMOND, TEXAS
STATEMENT OF NET POSITION
September 30, 2017

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 7,452,649	\$ 13,411,668	\$ 20,864,317	\$ 6,295,413
Accounts receivable	1,608,366	1,842,955	3,451,321	338,358
Due from other governments	1,741,263		1,741,263	
Prepaid expenses	8,510	3,254	11,764	
Capital assets, not subject to depreciation:	5,370,604	25,167,059	30,537,663	
Capital assets, net of depreciation:	15,520,173	34,346,313	49,866,486	
Total Capital Assets	20,890,777	59,513,372	80,404,149	
Total Assets	31,701,565	74,771,249	106,472,814	6,633,771
Deferred Outflows of Resources:				
Deferred charge on refunding	22,573		22,573	
Pension related items	1,939,825	484,957	2,424,782	
Total Deferred Outflows of Resources	1,962,398	484,957	2,447,355	
Liabilities				
Accounts payable and accrued expenses	1,229,162	5,292,444	6,521,606	1,180,959
Unearned revenue	2,000		2,000	
Accrued interest	46,416	23,420	69,836	
Long-term liabilities:				
Due within one year	1,212,182	861,711	2,073,893	
Due in more than one year	15,678,040	14,730,046	30,408,086	
Net Pension Liability	4,006,507	1,001,627	5,008,134	
Total Liabilities	22,174,307	21,909,248	44,083,555	1,180,959
Deferred Inflows of Resources:				
Pension related items	240,022	60,006	300,028	
Net Position				
Net investment in capital assets	8,050,928	43,928,445	51,979,373	
Restricted for:				
Debt service	654,864		654,864	
Community projects	6,332	5,547,798	5,554,130	5,451,817
Public safety	292,365		292,365	
Unrestricted	2,245,145	3,810,709	6,055,854	995
Total Net Position	\$ 11,249,634	\$ 53,286,952	\$ 64,536,586	\$ 5,452,812

See Notes To Basic Financial Statements.

CITY OF RICHMOND, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2017

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental Activities:				
General government	\$ 2,067,723	\$	\$ 174,315	\$
Public safety	8,955,266	2,495,391	969,015	
Public works	3,143,354	2,222,489	1,078,828	
Parks and recreation	1,096,613			
Community development	248,418			
Interest on long-term debt	539,032		255,088	
Total governmental activities	<u>16,050,406</u>	<u>4,717,880</u>	<u>2,477,246</u>	
Business-type activities:				
Water and sewer	5,710,394	9,490,742		
Surface water	1,517,533	2,600,011		
Total business-type activities	<u>7,227,927</u>	<u>12,090,753</u>		
Total primary government	<u>\$ 23,278,333</u>	<u>\$ 16,808,633</u>	<u>\$ 2,477,246</u>	<u>\$</u>
Component Units				
Development Corporation of Richmond	\$ 2,311,230			
Total component units	<u>\$ 2,311,230</u>			

General revenues:

Taxes:

 Property taxes

 Sales and use taxes

 Franchise taxes

 Unrestricted investment earnings

 Miscellaneous

Transfers

Total general revenues and transfers

 Change in net position

Net Position - Beginning

Net Position - Ending

See Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Discretely Presented Component Units
Governmental Activities	Business-type Activities	Total	Governmental Activities
\$ (1,893,408)	\$	\$ (1,893,408)	
(5,490,860)		(5,490,860)	
157,963		157,963	
(1,096,613)		(1,096,613)	
(248,418)		(248,418)	
(283,944)		(283,944)	
<u>(8,855,280)</u>		<u>(8,855,280)</u>	
	3,780,348	3,780,348	
	1,082,478	1,082,478	
	<u>4,862,826</u>	<u>4,862,826</u>	
<u>(8,855,280)</u>	<u>4,862,826</u>	<u>(3,992,454)</u>	
			<u>\$ (2,311,230)</u>
			<u>(2,311,230)</u>
3,727,157		3,727,157	
4,522,169		4,522,169	1,501,090
800,274		800,274	
13,298	15,363	28,661	3,098
303,627		303,627	
<u>2,070,000</u>	<u>(2,070,000)</u>		
<u>11,436,525</u>	<u>(2,054,637)</u>	<u>9,381,888</u>	<u>1,504,188</u>
2,581,245	2,808,189	5,389,434	(807,042)
<u>8,668,389</u>	<u>50,478,763</u>	<u>59,147,152</u>	<u>6,259,854</u>
<u>\$ 11,249,634</u>	<u>\$ 53,286,952</u>	<u>\$ 64,536,586</u>	<u>\$ 5,452,812</u>

CITY OF RICHMOND, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2017

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 4,182,068	\$ 2,460,393	\$ 810,188	\$ 7,452,649
Taxes receivable, net	1,121,013		128,258	1,249,271
Other receivables	352,605	6,490		359,095
Due from other governments	594,670	1,010,996	135,597	1,741,263
Due from other funds	68,886			68,886
Prepaid items	8,510			8,510
Total Assets	<u>\$ 6,327,752</u>	<u>\$ 3,477,879</u>	<u>\$ 1,074,043</u>	<u>\$ 10,879,674</u>
Liabilities				
Accounts payable	\$ 1,048,588	\$ 171,900	\$ 8,674	\$ 1,229,162
Due to other funds			68,886	68,886
Unearned revenue	2,000			2,000
Total Liabilities	<u>1,050,588</u>	<u>171,900</u>	<u>77,560</u>	<u>1,300,048</u>
Deferred Inflows of Resources				
Unavailable revenues - property taxes	323,291		128,258	451,549
Total Deferred Inflows of Resources	<u>323,291</u>		<u>128,258</u>	<u>451,549</u>
Fund balances:				
Nonspendable	8,510			8,510
Restricted:				
Debt service			573,022	573,022
Capital projects		3,305,979		3,305,979
Public safety			292,365	292,365
Community projects			6,332	6,332
Unassigned	4,945,363		(3,494)	4,941,869
Total Fund Balances	<u>4,953,873</u>	<u>3,305,979</u>	<u>868,225</u>	<u>9,128,077</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,327,752</u>	<u>\$ 3,477,879</u>	<u>\$ 1,074,043</u>	<u>\$ 10,879,674</u>

See Notes to Basic Financial Statements.

CITY OF RICHMOND, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2017

Total fund balance, governmental funds \$ 9,128,077

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. 20,890,777

Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Unavailable revenue 451,549

Deferred gain/loss on refunding 22,573

Long-term liabilities are not due in the current period and, therefore, are not reported as liabilities in the fund financial statements, but are included in the governmental activities of the Statement of Net Position

Bonds payable, at maturity (15,675,000)
Premium/discount on bonds payable (493,401)
Accrued long-term interest (46,416)
Compensated absences (721,821)

Net Pension Liability and related deferred outflows and inflows of resources due not represent current liabilities and are not reported in the fund financial statements, but are included in the governmental activities of the Statement of net position.

Deferred outflows - pension related items 1,939,825
Net Pension Liability (4,006,507)
Deferred inflows - pension related items (240,022)

Net Position of Governmental Activities in the Statement of Net Position \$ 11,249,634

See Notes to Basic Financial Statements.

CITY OF RICHMOND, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2017

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes:				
Property taxes	\$ 2,626,127	\$	\$ 1,053,527	\$ 3,679,654
Sales and use taxes	4,522,169			4,522,169
Franchise taxes	800,274			800,274
Fines and forfeitures	406,544		10,115	416,659
Licenses and permits	329,158			329,158
Intergovernmental	964,942	1,078,828	424,514	2,468,284
Charges for services	3,981,025			3,981,025
Investment earnings	8,299	3,185	1,814	13,298
Miscellaneous	132,025	50,000	121,602	303,627
Total Revenues	<u>13,770,563</u>	<u>1,132,013</u>	<u>1,611,572</u>	<u>16,514,148</u>
Expenditures				
Current:				
General government	1,980,842			1,980,842
Public safety	8,118,647		31,181	8,149,828
Public works	3,046,404		18,080	3,064,484
Culture and recreation	651,924			651,924
Community development	244,518			244,518
Capital Outlay	1,249,055	2,741,159	168,847	4,159,061
Debt Service:				
Principal	81,120		1,120,000	1,201,120
Interest and other charges	2,291		600,927	603,218
Total Expenditures	<u>15,374,801</u>	<u>2,741,159</u>	<u>1,939,035</u>	<u>20,054,995</u>
Revenues over (under) expenditures	<u>(1,604,238)</u>	<u>(1,609,146)</u>	<u>(327,463)</u>	<u>(3,540,847)</u>
Other Financing Sources (Uses)				
Transfers in	1,838,919		231,081	2,070,000
Total other financing sources (uses)	<u>1,838,919</u>		<u>231,081</u>	<u>2,070,000</u>
Net Changes in Fund Balances	234,681	(1,609,146)	(96,382)	(1,470,847)
Fund Balances - Beginning of Year	<u>4,719,192</u>	<u>4,915,125</u>	<u>964,607</u>	<u>10,598,924</u>
Fund Balances - End of Year	<u>\$ 4,953,873</u>	<u>\$ 3,305,979</u>	<u>\$ 868,225</u>	<u>\$ 9,128,077</u>

See Notes to Basic Financial Statements.

CITY OF RICHMOND, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2017

Net change in fund balances - total governmental funds: \$ (1,470,847)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The capital asset expenditures are allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlay of \$4,103,653 exceeded depreciation of \$1,006,579 in the current period. 3,097,074

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. 47,503

Governmental funds report repayment of bond principal and capital leases as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount of payments made on long-term debt. 1,201,120

Deferred charges on bond refunding, and other debt charges which are treated as expenditures or other sources/uses in the fund basis financial statements are set up as assets and amortized in the Statement of Net Position. The net change for each represents an increase/(decrease) in net position.

Bond premiums/discounts 43,320
Amortization of deferred charge on refunding (3,124)

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Changes in accrued interest 2,584
Changes in accrued compensated absences (26,258)

Pension contributions are reported as expenditures in the governmental funds and are reported as a reduction in net pension liability on the face of the statement of net position. 943,281

Pension expense does not represent a use of current resources and is not recognized in the fund financial statements. (1,253,408)

Change in net position of governmental activities \$ 2,581,245

See Notes to Basic Financial Statements.

CITY OF RICHMOND, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2017

	Business-type Activities		
	Water and Sewer	Surface Water	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 8,404,910	\$ 5,006,758	\$ 13,411,668
Accounts receivable, net	1,580,251	262,704	1,842,955
Prepaid expenses	3,254		3,254
Total Current Assets	9,988,415	5,269,462	15,257,877
Non-current assets:			
Capital assets			
Land and improvements	1,801,714	125,223	1,926,937
Construction in progress	81,740	23,158,382	23,240,122
Infrastructure	49,587,073	377,105	49,964,178
Buildings	10,098,586	999,416	11,098,002
Improvements other than buildings	4,232,673		4,232,673
Equipment and furniture	1,311,360		1,311,360
Less accumulated depreciation	(32,194,785)	(65,115)	(32,259,900)
Total Non-Current Assets	34,918,361	24,595,011	59,513,372
Total Assets	44,906,776	29,864,473	74,771,249
Deferred Outflows of Resources - pension related items	484,957		484,957
Liabilities			
Current liabilities:			
Accounts payable	2,022,472	2,461,159	4,483,631
Deposits	808,813		808,813
Accrued interest payable	6,797	16,623	23,420
Compensated absences	6,711		6,711
Bonds, notes and loans payable		855,000	855,000
Total Current Liabilities	2,844,793	3,332,782	6,177,575
Non-current liabilities:			
Compensated absences	60,403		60,403
Bonds, notes and loans payable		14,669,643	14,669,643
Net pension Liability	1,001,627		1,001,627
Total Non-Current Liabilities	1,062,030	14,669,643	15,731,673
Total Liabilities	3,906,823	18,002,425	21,909,248
Deferred Inflows of Resources - pension related items	60,006		60,006
Net Position			
Net investment in capital assets	34,918,361	9,010,084	43,928,445
Restricted for capital projects	5,547,798		5,547,798
Unrestricted	958,745	2,851,964	3,810,709
Total Net Position	\$ 41,424,904	\$ 11,862,048	\$ 53,286,952

See Notes to Basic Financial Statements.

CITY OF RICHMOND, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2017

	Business-type Activities		
	Water and Sewer	Surface Water	Total
Operating Revenues			
Charges for services	\$ 9,490,742	\$ 2,600,011	\$ 12,090,753
Total Operating Revenues	<u>9,490,742</u>	<u>2,600,011</u>	<u>12,090,753</u>
Operating Expenses			
Personnel services	1,698,331	79,137	1,777,468
Supplies	29,514		29,514
Contracted services	141,518		141,518
Other	2,447,927	927,715	3,375,642
Depreciation	1,393,104	32,558	1,425,662
Total Operating Expenses	<u>5,710,394</u>	<u>1,039,410</u>	<u>6,749,804</u>
Operating income (loss)	<u>3,780,348</u>	<u>1,560,601</u>	<u>5,340,949</u>
Non-Operating Revenues (Expenses)			
Interest and investment revenue	6,192	9,171	15,363
Interest expense		(478,123)	(478,123)
Total Non-Operating Revenues (Expenses)	<u>6,192</u>	<u>(468,952)</u>	<u>(462,760)</u>
Income before Transfers	3,786,540	1,091,649	4,878,189
Transfers out	(2,070,000)		(2,070,000)
Change in Net Position	1,716,540	1,091,649	2,808,189
Total Net Position - Beginning of Year	<u>39,708,364</u>	<u>10,770,399</u>	<u>50,478,763</u>
Total Net Position - End of Year	<u>\$ 41,424,904</u>	<u>\$ 11,862,048</u>	<u>\$ 53,286,952</u>

See Notes to Basic Financial Statements.

CITY OF RICHMOND, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2017

	Business-type Activities		
	Sewer	Surface Water	Total
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 9,478,626	\$ 2,649,117	\$ 12,127,743
Disbursed for personnel services	(1,615,334)	(79,137)	(1,694,471)
Disbursed for goods and services	(2,865,371)	(647,009)	(3,512,380)
Net cash provided by operating activities	<u>4,997,921</u>	<u>1,922,971</u>	<u>6,920,892</u>
Cash Flows From Noncapital Financing Activities			
Transfers to other funds	(2,070,000)		(2,070,000)
Net cash used by noncapital financing activities	<u>(2,070,000)</u>		<u>(2,070,000)</u>
Cash Flows From Capital and Related Financing Activities			
Principal payments on debt		(630,000)	(630,000)
Interest paid on capital debt		(478,123)	(478,123)
Acquisition and construction of capital assets	(983,547)	(14,514,219)	(15,497,766)
Cash flows used by capital and related financing activities	<u>(983,547)</u>	<u>(15,622,342)</u>	<u>(16,605,889)</u>
Cash Flows From Investing Activities			
Interest received	6,192	9,171	15,363
Net cash provided by investing activities	<u>6,192</u>	<u>9,171</u>	<u>15,363</u>
Net increase (decrease) in cash and cash equivalents	1,950,566	(13,690,200)	(11,739,634)
Cash and cash equivalents - beginning of year	<u>6,454,344</u>	<u>18,696,958</u>	<u>25,151,302</u>
Cash and cash equivalents - end of year	<u>\$ 8,404,910</u>	<u>\$ 5,006,758</u>	<u>\$ 13,411,668</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating Income (Loss)	\$ 3,780,348	\$ 1,560,601	\$ 5,340,949
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,393,104	32,558	1,425,662
(Increase) decrease in accounts receivable	(114,886)	49,106	(65,780)
Decrease in prepaid expenses	1,374		1,374
Decrease in deferred outflows of resources relating to pensions	67,570		67,570
Increase (decrease) in accounts payable	(247,786)	280,706	32,920
Increase in customer deposits	102,770		102,770
Increase in accrued compensated absences	5,466		5,466
Increase in net pension liability	34,848		34,848
(Decrease) in deferred inflows of resources relating to pensions	(24,887)		(24,887)
Net cash provided by operating activities	<u>\$ 4,997,921</u>	<u>\$ 1,922,971</u>	<u>\$ 6,920,892</u>

See Notes to Basic Financial Statements.

CITY OF RICHMOND, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
September 30, 2017

	Governmental Activities		
	Development Corporation of Richmond	Richmond Higher Education Finance Corporation	Totals
Assets			
Cash and cash equivalents	\$ 6,294,418	\$ 995	\$ 6,295,413
Accounts receivable	338,358		338,358
Total Assets	6,632,776	995	6,633,771
Liabilities			
Accounts payable and accrued expenses	1,180,959		1,180,959
Total Liabilities	1,180,959		1,180,959
Net Position			
Restricted for:			
Community projects	5,451,817		5,451,817
Unrestricted		995	995
Total Net Position	\$ 5,451,817	\$ 995	\$ 5,452,812

See Notes to Basic Financial Statements.

CITY OF RICHMOND, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
September 30, 2017

	Governmental Activities		
	Development Corporation of Richmond	Richmond Higher Education Finance Corporation	Totals
General Revenues			
Taxes:			
Sales and use taxes	\$ 1,501,090	\$	\$ 1,501,090
Unrestricted investment earnings	3,098		3,098
Total general revenues and transfers	<u>1,504,188</u>		<u>1,504,188</u>
Expenses			
Economic development	2,056,142		2,056,142
Intergovernmental	255,088		255,088
Total expenses	<u>2,311,230</u>		<u>2,311,230</u>
Change in net position	(807,042)		(807,042)
Net Position - Beginning	<u>6,258,859</u>	995	<u>6,259,854</u>
Net Position - Ending	<u>\$ 5,451,817</u>	<u>\$ 995</u>	<u>\$ 5,452,812</u>

See Notes to Basic Financial Statements.

CITY OF RICHMOND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 1 - Organization

The City of Richmond, Texas (the City), was incorporated on June 5, 1837, by Act of the Senate and House of Representatives of the Republic of Texas. On July 30, 1913, the City adopted a Commission form of government. On May 7, 2013 the citizens of the City voted to adopt a home-rule charter which provided for a commission-manager form of government.

The City Commission is the principal legislative body of the City. The Mayor presides at meetings of the City Commission.

The City provides the following services: public safety to include police and fire, highways and streets, sanitation, water and wastewater, recreation, public improvements, and general administration.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity as discretely presented component units.

Development Corporation of Richmond

The Development Corporation of Richmond (the "Corporation") has been included in the reporting entity as a discretely presented component unit. In 1995, the Corporation was created by the City under the Texas Development Corporation Act of 1979 for the purpose of promoting, assisting, and enhancing economic and development activities on behalf of the City. The Board of Directors is appointed by and serves at the discretion of the City Commission. City Commission approval is required for annual budgets and bonded debt issuance. In the event of dissolution, net position of the Corporation shall be conveyed to the City.

Richmond Higher Education Finance Corporation

The Richmond Higher Education Finance Corporation (the "Education Corporation") has been included in the reporting entity as a discretely presented component unit. In 2002, the Education Corporation was created by the City for the purpose of financing buildings and other capital assets for universities. The Board of Directors is appointed by and serves at the discretion of the City Commission. City Commission approval is required for annual budgets and bonded debt issuance. In the event of dissolution, net position of the Education Corporation shall be conveyed to the City.

Separately-issued audited financial statements are not issued for the discretely presented component units.

CITY OF RICHMOND, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

The City is an independent political subdivision of the State of Texas governed by an elected commission and a mayor and is considered a primary government. As required by U.S. generally accepted accounting principles, these financial statements have been prepared based on considerations regarding the potential for inclusion of component units, which are other entities or organizations that are financially accountable to the City. Blended component units, although legally separate entities, are, in substance, part of the government's operations, and as a result, data from these units are combined with data of the primary government. The City had no such blended component units. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize that they are legally separate from the primary government. Based on these considerations, the City's financial statements include the following discretely presented component units: the Development Corporation of Richmond and the Richmond Higher Education Finance Corporation. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the nonfiduciary activities of the primary government. These statements include all activities of the primary government and its discretely presented component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF RICHMOND, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. Non-major governmental funds are combined and reported in a separate column in the fund financial statements. The City has two proprietary funds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are reported using the economic resources measurement focus, as are the proprietary fund financial statements. The government-wide statements and proprietary fund statements are reported using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

General property taxes are recorded as receivables when levied and as revenue in the period for which they were levied and become available. Property taxes receivable have been recorded as deferred inflows of resources at year-end.

Property taxes collected within 60 days subsequent to September 30, 2017, have not been recorded as revenue as the amount is not considered material. Franchise taxes and sales taxes relating to underlying transactions that occurred prior to September 30, 2017, have been recorded as receivables and revenue. Licenses and permits and fines are not susceptible to accrual since they are not measurable until received. Revenue on federal and state cost-reimbursement grants is accrued when the related expenditures are incurred. Interest is recorded when earned.

The City reports the following major governmental funds:

The *General Fund* is used to account for all financial transactions that are not accounted for in another fund. The principal sources of revenue of the General Fund are property taxes, sales and use taxes, franchise taxes, licenses and permits, and fines and forfeitures. Expenditures are for general government, public safety, public works and parks and recreation.

The *Capital Projects Fund* is used to account for the accumulation of resources for the construction of capital projects through debt proceeds and other governmental activity resources.

CITY OF RICHMOND, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The City's business type activities consist of the following major proprietary funds:

The *Water and Sewer Fund* is used to account for operations of the water and sewer division and the construction of related facilities.

The *Surface Water Fund* is used to account for the operations of the surface water facilities and was formerly reported as a part of the *Water and Sewer Fund*.

These funds are financed and operated in a manner similar to private business enterprises -- where the intent of the City is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The acquisition, maintenance and improvement of the physical plant facilities required to provide these goods and services are financed from existing cash resources, the issuance of bonds (revenue or general obligation), impact fees and other City funds.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the water and wastewater enterprise fund are charges to customers for sales and services. Operational expenses for the fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues not meeting this definition are reported as non-operating revenues and expenses.

Net position is categorized into three components – net investment in capital assets; restricted; and unrestricted. These classifications are as follows:

- Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings.
- Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors or laws or regulations of other governments or constraints imposed by law through contractual provisions or enabling legislation.
- Unrestricted net position - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

D. Cash and Cash Equivalents

The City reports cash and cash equivalents in the District's statement of cash flows for Proprietary Fund Types and in all other financial statements of financial position. The City considers cash and cash equivalents to be cash on hand, demand deposits, certificates of deposit, balances in public funds investment pools and short-term investments with original maturities of three months or less from the date of acquisition.

CITY OF RICHMOND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

E. Investments

Investments are reported at fair value. Fair values are based on published market rates. Current investments have an original maturity greater than three months but less than one year at the time of purchase. Non-current investments have an original maturity of greater than one year at the time of purchase.

F. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

G. Due to and from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. These receivables and payables are, for the most part, eliminated from the Government-Wide Statement of Net Position and are recorded as “due from other funds” or “due to other funds” in the fund financial statements.

H. Inventories and Prepaid Items

Inventories of the General and Proprietary Funds are valued at the lesser of cost (weighted moving average) or fair value. Inventories for all funds consist of expendable supplies held for consumption, and the cost thereof is recorded as an expense/expenditure at the time the inventory items are issued (consumption method). Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

I. Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of \$5,000 and an estimated useful life in excess of one year. All purchased capital assets are valued at cost where historical records exist. Donated capital assets are valued at their estimated fair value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements, including public domain, and equipment are capitalized and depreciated over the remaining useful lives of the related capital assets using the straight line method, as applicable.

<u>Asset</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than Buildings	30 years
Infrastructure	30 years
Vehicles	5 years
Machinery and equipment	5 years

Note 2 - Summary of Significant Accounting Policies (continued)

J. Compensated Absences

The City's employees earn vacation and sick leave which may either be taken or accumulated, up to certain amounts, until paid upon termination or retirement. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

The City accrues vacation and sick leave based on criteria established by the Governmental Accounting Standards Board. For all funds, this liability reflects amounts attributable to cumulative employee services previously rendered, where the payment is probable and can be reasonably estimated.

K. Deferred Outflows/Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category.

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows of resources for pension activities - Reported in the government wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions and 2) differences between expected and actual actuarial experiences. These pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

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

- Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflows of resources for pension activities - Reported in the government wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual investment earnings and differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability

Note 2 - Summary of Significant Accounting Policies (continued)

K. Deferred Outflows/Inflows of Resources (continued)

in the next fiscal year. The deferred outflows relating to plan investment earnings will be amortized over a period of five year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan

L. General Property Taxes

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt and all taxes not paid prior to February 1 are deemed delinquent and are subject to such penalty and interest set forth by the Property Tax Code. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed. Appraised values are established by the Fort Bend County Central Appraisal Districts (the "CAD"). Taxes are levied by the City Commission based on the appraised values received from the CAD.

M. Debt Service

The ad valorem tax rate is allocated each year between the General Fund and the Debt Service Fund. The full amount estimated to be required for debt service on the general obligation debt is provided by the debt service tax together with interest earned in the Debt Service Fund.

N. Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts may differ from these estimates.

O. Bond Discounts/Premiums

In governmental fund types, bond discounts and premiums are recognized in the current period and are deferred and amortized in the Government-wide Statement of Activities. Bond discounts and premiums for proprietary fund types are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method.

P. Fund Equity

In the fund financial statements, the City restricts or commits all or portions of fund equity in the various governmental fund financial statements. The unassigned fund balances for governmental funds represent the amount available for budgeting future operations. The restricted fund balances for governmental funds represent the amount that has been legally identified for specific purposes.

Note 2 - Summary of Significant Accounting Policies (continued)

P. Fund Equity (continued)

The following classifications describe the relative strength of the spending constraints:

Non-spendable fund balance – amounts that are not in spendable form or are legally or contractually required to be maintained intact.

Restricted fund balance – amounts that are subject to external restrictions from creditors, grantors, contributors, or laws of other governments.

Committed fund balance – amounts constrained for specific purposes as determined by the City itself, using its highest level of decision-making authority (i.e. City Commission). To be reported as committed, amounts cannot be used for any other purposes unless the City takes the same highest level of action to remove or change the constraint. The City establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. City Commission will approve obligations of funds, such as multiyear contracts, prior to the end of the fiscal year.

Assigned fund balance – amounts the City intends to use for a specific purpose that is neither restricted or committed and includes the remaining positive fund balance of all governmental funds except for the General Fund. Balances for encumbrances, other than those committed by City Commission, fall into this category. Intent can be established by City Commission or delegated to the City Manager.

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The City will typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

The City's General Fund balance shall be enough to handle any unexpected decrease in revenues or unbudgeted expenditures during the fiscal year. The minimum fund balance should be within the range of ninety (90) days of operating expenditures.

Unrestricted net position for proprietary funds represents the net position available for future operations or distribution. Restricted net position for proprietary funds represents the net position that has been legally identified for specific purposes.

Q. Revenues and Expenditures/Expenses

In the fund financial statements revenues for governmental funds are recorded when they are determined to be both measurable and available. Generally, tax revenues, fees, and non-tax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures for governmental funds are recorded when the related liability is incurred.

Revenues and expenses in the Government-wide Statement of Activities are recognized in essentially the same manner as used in commercial accounting.

Note 2 - Summary of Significant Accounting Policies (continued)

R. Post-employment Healthcare Benefits

The City provides post-employment healthcare benefits mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and the City incurs no direct costs.

S. Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statements No. 68 and No. 71.

U. New Accounting Standards

In the current fiscal year, the City implemented the following new standards. The applicable provisions of these new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB Statement No. 82, *Pension Issues-An amendment of GASB Statements No. 67, No. 68 and No. 73*, addresses the presentation of payroll-related measures in required supplementary information, selection of assumptions and the treatment of deviations from the guidance in an actuarial standard of practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee contribution requirements.

GASB Statement No. 77, *Tax Abatement Disclosures*, requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. The City does not have any tax abatements to disclose.

Note 3 - Deposits (Cash) and Investments

Authorization for Deposits and Investments

The Texas Public Funds Investment Act (PFIA), as prescribed in Chapter 2256 of the Texas Government Code, regulates deposits and investment transactions of the City.

In accordance with applicable statutes, the City has a depository contract with an area bank (depository) providing for interest rates to be earned on deposited funds and for banking charges the City incurs for banking services received. The City may place funds with the depository in interest and non-interest bearing accounts. State law provides that collateral pledged as security for bank deposits must have a market value of not less than the amount of the deposits and must consist of: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of

CITY OF RICHMOND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 3 - Deposits (Cash) and Investments (continued)

Authorization for Deposits and Investments (continued)

Texas; and/or (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent. City policy requires the collateralization level to be at least 102% of market value of principal and accrued interest. The Commission has adopted a written investment policy regarding the investment of City funds as required by the Public Funds Investment Act (Chapter 2256, Texas Government Code). The investments of the City are in compliance with the City's investment policy. It is the City's policy to restrict its direct investments to obligations of the U.S. Government or U.S. Government Agencies, fully collateralized certificates of deposit, and brokered certificates of deposit fully insured by the State of Texas, repurchase agreements, commercial paper, obligations of the State of Texas or other state agencies, and local government investment pools. The maximum maturity allowed is three years from date of purchase. The City's investment policy does not allow investments in bankers' acceptances, mutual funds, and floating rate investments or swaps.

Deposit and Investment Amounts

The City's cash and investments are classified as: cash and cash equivalents and restricted cash. The cash and cash equivalents include cash on hand and deposits with financial institutions. The restricted cash and investments are assets restricted for specific use.

The following schedule shows the City's recorded cash and cash equivalents at year-end:

	<u>Total Fair Value</u>	
	<u>Primary</u>	<u>Component</u>
	<u>Government</u>	<u>Units</u>
Cash Deposits	<u>\$ 20,864,317</u>	<u>\$ 6,295,413</u>

At September 30, 2017, all of the City's deposits were entirely covered by federal depository insurance or by collateral held by the City's agent in the City's name.

Interest Rate Risk

At year-end, the City had no investments subject to interest rate risk disclosure, under U.S. generally accepted accounting principles.

The City measures interest rate risk using the weighted average maturity method for the portfolio. The City's investment policy specifies a maximum weighted average maturity of 270 days based on the stated maturity date for each investment in the portfolio. To the extent possible, the City attempts to match investments with anticipated cash flow requirements. The City does not directly invest in securities with a stated maturity date more than three years or 1,095 days from date of purchase. The settlement date is considered the date of purchase.

CITY OF RICHMOND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 3 - Deposits (Cash) and Investments (continued)

Concentration of Credit Risk

The City's investment policy allows investments by type based on the following diversification requirements:

	<u>Percentage of Portfolio (Maximum)</u>
U.S. Treasury Obligations	90%
U.S. Government Agency Securities and Instrumentalities of Government-Sponsored Corporations	80%
State Obligations	20%
Fully Collateralized Certificates of Deposit	40%
Fully Collateralized Repurchase Agreements	50%
Flex in CIP Funds	100%
Local Government Investment Pools	100%
Money Market Funds	100%
Commercial Paper	25%
Demand Deposits	100%
Brokered CD Securities	20%

There were no investments for fiscal year 2017.

Note 4 - Receivables

Amounts recorded as receivables as of September 30, 2017, for the government's individual major and non-major funds, including the applicable allowance for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Water and Sewer</u>	<u>Surface Water</u>	<u>Discretely Presented Component Units</u>	<u>Total</u>
Receivables:							
Sales and use taxes	\$ 682,468	\$	\$	\$	\$	\$ 338,358	\$ 1,020,826
Property taxes	381,495		178,830				560,325
Franchise taxes	115,254						115,254
Customer accounts	310,171			1,580,251	262,704		2,153,126
Other	42,434	6,490					48,924
Gross Receivables	<u>1,531,822</u>	<u>6,490</u>	<u>178,830</u>	<u>1,580,251</u>	<u>262,704</u>	<u>338,358</u>	<u>3,898,455</u>
Less: allowance for uncollectibles	<u>(58,204)</u>		<u>(50,572)</u>				<u>(108,776)</u>
Net Total Receivables	<u>\$ 1,473,618</u>	<u>\$ 6,490</u>	<u>\$ 128,258</u>	<u>\$ 1,580,251</u>	<u>\$ 262,704</u>	<u>\$ 338,358</u>	<u>\$ 3,789,679</u>

Delinquent tax collections during the first sixty days subsequent to year end have not been recorded as revenue, as the amount is not considered material.

CITY OF RICHMOND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 5 - Capital Assets

A summary of activity for governmental activities capital assets for the year ended September 30, 2017, follows:

	Balance 9/30/2016	Additions	Deletions	Balance 9/30/2017
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 3,168,734	\$ 814,640	\$	\$ 3,983,374
Construction in progress	157,780	1,229,450		1,387,230
Total capital assets, not being depreciated	3,326,514	2,044,090		5,370,604
Capital assets being depreciated:				
Buildings	9,708,771			9,708,771
Improvements other than buildings	3,393,530			3,393,530
Infrastructure	8,876,575	948,975		9,825,550
Machinery and equipment	7,055,551	1,110,588	(273,989)	7,892,150
Total capital assets being depreciated	29,034,427	2,059,563	(273,989)	30,820,001
Less accumulated depreciation for:				
Buildings	(1,471,566)	(122,528)		(1,594,094)
Improvements other than buildings	(1,159,087)	(59,449)		(1,218,536)
Infrastructure	(6,598,802)	(440,741)		(7,039,543)
Machinery and equipment	(5,337,783)	(383,861)	273,989	(5,447,655)
Total accumulated depreciation	(14,567,238)	(1,006,579)	273,989	(15,299,828)
Total capital assets being depreciated, net	14,467,189	1,052,984		15,520,173
Governmental Activities				
Capital Assets, Net	\$ 17,793,703	\$ 3,097,074	\$	\$ 20,890,777

CITY OF RICHMOND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 5 - Capital Assets (continued)

A summary of activity for business-type activities capital assets for the year ended September 30, 2017, follows:

	Balance 9/30/2016	Additions	Deletions/ transfers	Balance 9/30/2017
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 1,331,892	\$ 595,045	\$	\$ 1,926,937
Construction in progress	13,830,683	14,477,364	(5,067,925)	23,240,122
Total capital assets, not being depreciated	15,162,575	15,072,409	(5,067,925)	25,167,059
Capital assets being depreciated:				
Buildings	11,098,002			11,098,002
Improvements other than buildings	4,232,673			4,232,673
Infrastructure	44,554,539	341,714	5,067,925	49,964,178
Machinery and equipment	1,263,558	53,302	(5,500)	1,311,360
Total capital assets being depreciated	61,148,772	395,016	5,062,425	66,606,213
Less accumulated depreciation for:				
Buildings	(4,484,115)	(175,748)		(4,659,863)
Improvements other than buildings	(1,533,494)	(262,540)		(1,796,034)
Infrastructure	(23,718,754)	(924,028)		(24,642,782)
Machinery and equipment	(1,103,376)	(63,345)	5,500	(1,161,221)
Total accumulated depreciation	(30,839,739)	(1,425,661)	5,500	(32,259,900)
Total capital assets being depreciated, net	30,309,033	(1,030,645)	5,067,925	34,346,313
Business-type Activities				
Capital Assets, Net	\$ 45,471,608	\$ 14,041,764	\$	\$ 59,513,372

Depreciation was charged to functions of the primary government as follows:

Governmental Activities	
General	\$ 55,576
Public safety	524,174
Public works	340,063
Parks and recreation	86,766
	<u>\$ 1,006,579</u>
Business-type Activities	
Water and sewer	\$ 1,393,103
Surface water	32,558
	<u>\$ 1,425,661</u>

CITY OF RICHMOND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 5 - Capital Assets (continued)

Construction in progress for the various projects and remaining commitments under these construction contracts at September 30, 2017, are as follows:

	Authorized Commitment	Total in Progress	Remaining Commitment
Governmental Activities			
Wessendorff Park - Phase II & III	\$ 1,378,866	\$ 1,128,866	\$ 250,000
Fire Station #2	2,000,000	81,030	1,918,970
Freeman Town Park	177,439	157,439	20,000
N 2nd Street Outfall Gate	2,019,895	19,895	2,000,000
	<u>\$ 5,576,200</u>	<u>\$ 1,387,230</u>	<u>\$ 4,188,970</u>
Business-type Activities			
CDBG Sanitary Sewer Rehab - Phase VIII	\$ 259,210	\$ 81,740	\$ 177,470
Surf Wtr Pump Sta & Gnd Stg Tank	2,518,237	2,518,237	
Cloramine Conversion Design Phase	750,000	635,405	114,595
Surface Water Treatment Plant	25,000,000	17,444,030	7,555,970
Distribution Line	2,695,484	2,560,710	134,774
	<u>\$ 31,222,931</u>	<u>\$ 23,240,122</u>	<u>\$ 7,982,809</u>

Note 6 - Long-Term Debt

The City issues a variety of long-term debt instruments in order to acquire and/or construct major capital facilities and equipment for general government and enterprise fund activities. These instruments include general obligation bonds and certificates of obligation. General long-term bonds reported as the governmental activities are paid through the Debt Service Fund from tax revenues. Business-type activities long-term debt is paid from water and sewer system revenues. Governmental activities compensated absences are liquidated from the General Fund in the governmental activities and Enterprise fund in the business-type activities.

During the year ended September 30, 2017, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General obligation bonds	\$ 11,335,000	\$	\$ (850,000)	\$ 10,485,000	\$ 870,000
Certificates of obligation	5,460,000		(270,000)	5,190,000	270,000
Bond issuance premiums/discounts	536,721		(43,320)	493,401	
Capital leases	81,120		(81,120)		
Compensated absences	695,563	198,732	(172,474)	721,821	72,182
	<u>\$ 18,108,404</u>	<u>\$ 198,732</u>	<u>\$ (1,416,914)</u>	<u>\$ 16,890,222</u>	<u>\$ 1,212,182</u>
Governmental Activities Long-term Liabilities					
	<u>\$ 18,108,404</u>	<u>\$ 198,732</u>	<u>\$ (1,416,914)</u>	<u>\$ 16,890,222</u>	<u>\$ 1,212,182</u>
Business-Type Activities:					
Bonds Payable:					
Certificates of obligation	\$ 15,535,000	\$	\$ (630,000)	\$ 14,905,000	\$ 855,000
Bond issuance premiums/discounts	649,983		(30,340)	619,643	
Compensated absences	61,648	33,490	(28,024)	67,114	6,711
	<u>\$ 16,246,631</u>	<u>\$ 33,490</u>	<u>\$ (688,364)</u>	<u>\$ 15,591,757</u>	<u>\$ 861,711</u>
Business-type Activities Long-term Liabilities					
	<u>\$ 16,246,631</u>	<u>\$ 33,490</u>	<u>\$ (688,364)</u>	<u>\$ 15,591,757</u>	<u>\$ 861,711</u>

CITY OF RICHMOND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 6 - Long-Term Debt (continued)

The following is a summary of the terms of obligations of general obligation bonds and certificates of obligation outstanding as of September 30, 2017:

Governmental Activities:				
<u>Series</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Maturity Date</u>	<u>Debt Outstanding</u>
General Obligation Bonds				
Series 2009 general obligation bonds	3.00-4.25%	\$ 4,000,000	2029	\$ 3,310,000
Series 2010 general obligation and refunding bonds	2.00-4.00%	5,040,000	2020	1,385,000
Series 2013 general obligation and refunding bonds	3.00-4.25%	6,620,000	2038	5,790,000
				<u>10,485,000</u>
Certificates of Obligation				
Series 2013 combination tax and revenue certificates of obligation	2.00-4.13%	2,265,000	2038	2,020,000
Series 2016B combination tax and revenue certificates of obligation	3.00%	3,375,000	2035	3,170,000
				<u>5,190,000</u>
Total Governmental Activities				<u>\$ 15,675,000</u>
Business-Type Activities:				
<u>Series</u>	<u>Interest Rate</u>	<u>Original Issue</u>		<u>Debt Outstanding</u>
Certificates of Obligation:				
Series 2015 combination tax and revenue certificates of obligation	3.00-4.00%	9,705,000	2045	\$ 9,310,000
Series 2016A combination tax and revenue certificates of obligation	3.00%	6,025,000	2034	5,595,000
Total Business-Type Activities				<u>\$ 14,905,000</u>

Annual debt service requirements to retire outstanding general obligation bonds and certificates of obligation are as follows:

Year Ending September 30,	Governmental Activities		
	General Obligation Bonds		
	Principal	Interest	Total
2018	\$ 870,000	\$ 391,537	\$ 1,261,537
2019	895,000	360,525	1,255,525
2020	930,000	327,513	1,257,513
2021	640,000	299,808	939,808
2022	660,000	277,793	937,793
2023-2027	2,740,000	1,038,011	3,778,011
2028-2032	1,800,000	569,967	2,369,967
2033-2037	1,590,000	245,115	1,835,115
2038-2042	360,000	7,425	367,425
	<u>\$ 10,485,000</u>	<u>\$ 3,517,694</u>	<u>\$ 14,002,694</u>

CITY OF RICHMOND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 6 - Long-Term Debt (continued)

Year Ending September 30,	Governmental Activities			Business-Type Activities		
	Certificates of Obligation			Certificates of Obligation		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 270,000	\$ 169,175	\$ 439,175	\$ 855,000	\$ 486,187	\$ 1,341,187
2019	270,000	161,725	431,725	890,000	460,012	1,350,012
2020	280,000	153,975	433,975	915,000	432,937	1,347,937
2021	280,000	145,925	425,925	940,000	405,112	1,345,112
2022	285,000	137,438	422,438	975,000	376,387	1,351,387
2023-2027	1,420,000	546,048	1,966,048	2,540,000	1,582,460	4,122,460
2028-2032	1,200,000	329,156	1,529,156	2,125,000	1,267,417	3,392,417
2033-2037	1,045,000	114,979	1,159,979	2,005,000	912,038	2,917,038
2038-2042	140,000	2,888	142,888	2,150,000	523,800	2,673,800
2043-2047				1,510,000	92,000	1,602,000
	<u>\$ 5,190,000</u>	<u>\$ 1,761,309</u>	<u>\$ 6,951,309</u>	<u>\$ 14,905,000</u>	<u>\$ 6,538,350</u>	<u>\$ 21,443,350</u>

Capital Leases

During the year ended September 30, 2014 the City entered into a lease purchase agreement for the acquisition of a dump truck costing \$79,149. The lease is for a period of four years with annual payments of \$21,370 and a stated interest rate of 3.38%. Interest paid on this lease was \$699 for the year ended September 30, 2017.

During the year ended September 30, 2008 the City entered into a lease purchase agreement to finance the acquisition of a fire station costing \$500,000. The lease is for a period of ten years with annual payments of \$62,912 and a stated interest rate of 4.59%. Interest paid on this lease was \$1,602 for the year ended September 30, 2017.

The City completed payment on the leases as of September 30, 2017.

Legal Compliance

A number of limitations and restrictions are contained in the various bond ordinances. The City has complied with all significant limitations and restrictions.

Note 7 - Interfund receivables, payables, and transfers

For the year ended September 30, 2017, interfund balances consisted of:

	Due From Other Funds	Due To Other Funds
Primary government		
Governmental activities:		
General Fund	\$ 68,886	\$
Non-Major Governmental Funds		68,886
Total governmental activities	<u>68,886</u>	<u>68,886</u>
Total primary government	<u>\$ 68,886</u>	<u>\$ 68,886</u>

CITY OF RICHMOND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 7 - Interfund receivables, payables, and transfers (continued)

For the year ended September 30, 2017, interfund transfers consisted of:

	<u>Transfers In</u>	<u>Transfers Out</u>
Primary government		
Governmental activities:		
Non-Major Governmental Funds	\$ 231,081	\$ _____
Total governmental activities	<u>231,081</u>	<u>_____</u>
Business-type activities:		
Water and Sewer Fund	1,838,919	<u>2,070,000</u>
Total business-type activities	<u>1,838,919</u>	<u>2,070,000</u>
Total primary government	<u>\$ 2,070,000</u>	<u>\$ 2,070,000</u>

Transfers are used to move revenues from the fund with collection authorization to other funds to finance various programs and projects of the City.

Note 8 - Employee Retirement System

Texas Municipal Retirement System

Plan Description and Provisions

The City participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

All eligible employees of the City are required to participate in TMRS.

Benefits provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven actuarially equivalent payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

On the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest,

CITY OF RICHMOND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System (continued)

Benefits provided (continued)

prior to establishment of the plan. Monetary credits for service since the plan began are 200% of the employee's accumulated contributions.

A summary of plan provisions for the City are as follows:

Employee deposit rate:	7%
Matching ratio (City to employee):	2 to 1
Years required for vesting:	5
Service retirement eligibility:	20 years at any age; 5 years at age 60 and above
Updated Service Credit:	100% Repeating
Annuity Increase to retirees:	70% of CPI Repeating
Supplemental death benefit – employees and retirees:	Yes

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	68
Inactive employees entitled to but not yet receiving benefits	87
Active employees	<u>147</u>
Total	<u>302</u>

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the State law governing TMRS, the contribution rate for each City is determined annually by the consulting actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2017, the City made contributions of 13.36% for the months in 2016 and 14.08% for the months in 2017.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. Pension liabilities have been liquidated in prior years from the General Fund.

Note 8 - Employee Retirement System (continued)

Actuarial Assumptions

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment rate of return	6.75%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Assumptions are reviewed annually. No additional changes were made for the 2016 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100.0%	

CITY OF RICHMOND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System (continued)

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7% and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2015	\$ 36,554,588	\$ 31,720,691	\$ 4,833,897
Changes for the year:			
Service Cost	1,356,736		1,356,736
Interest	2,465,759		2,465,759
Difference between expected and actual experience	67,960		67,960
Contributions - employer		1,044,433	(1,044,433)
Contributions - employee		553,447	(553,447)
Net Investment income		2,143,853	(2,143,853)
Benefit payments, including refunds, of employee contributions	(1,406,391)	(1,406,391)	
Administrative expense		(24,211)	24,211
Other changes		(1,304)	1,304
Net changes	<u>2,484,064</u>	<u>2,309,827</u>	<u>174,237</u>
Balance at 12/31/2016	<u>\$ 39,038,652</u>	<u>\$ 34,030,518</u>	<u>\$ 5,008,134</u>

Plan fiduciary net position as a percentage of total pension liability 87.17%

Sensitivity of the Net Pension Liability

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$11,139,970	\$ 5,008,134	\$ 60,015

CITY OF RICHMOND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

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

For the year ended September 30, 2017, the City recognized pension expense of \$1,566,708.

At September 30, 2017, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actuarial assumptions and actual experience	\$	\$ 300,028
Changes in actuarial assumptions used	107,173	
Differences between projects and actual investment earnings	1,445,881	
Contributions subsequent to the measurement date	871,728	
Total	<u>\$ 2,424,782</u>	<u>\$ 300,028</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$871,728 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2017 (i.e. recognized in the City's fiscal year 2018 financial statements). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2018	413,292
2019	413,291
2020	412,217
2021	12,246
2022	1,980
Total	<u>\$ 1,253,026</u>

CITY OF RICHMOND, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 9 - Supplemental Death Benefits Fund

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other postemployment benefit,” or OPEB.

	<u>Plan Year 2016</u>	<u>Plan Year 2017</u>
The City offers supplemental death to:		
Active employees	Yes	Yes
Retirees	Yes	Yes

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees’ entire careers.

The City’s contributions to the TMRS SDBF for the years ended 2017, 2016 and 2015 were \$1,716, \$11,571 and \$11,345 respectively, which equaled the required contributions each year.

Schedule of Contribution Rates
(Retiree-only portion of the rate, for OPEB)

<u>Fiscal Year</u>	<u>Annual Required Contribution (Rate)</u>	<u>Actual Contribution Made (Rate)</u>	<u>Percentage of ARC Contributed</u>
2015	0.02%	0.02%	100%
2016	0.02%	0.02%	100%
2017	0.02%	0.02%	100%

Note 10 - Commitments and Contingencies

Litigation and Other Contingencies

From time to time, the City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of City Management and legal counsel that any ultimate uninsured liability to the City from these lawsuits will not be material.

Note 10 - Commitments and Contingencies (continued)

Arbitrage Rebate

In accordance with the provisions of the Internal Revenue Code, sections 103, 103A, and 148, as amended, a governmental debt issuance must qualify and maintain tax-exempt status by satisfying certain arbitrage requirements contained in these provisions. As part of the requirements, certain amounts earned on the non-purpose investment of debt issuance proceeds, in excess of the yield on an issue, earned as arbitrage, will be required to be paid to the U.S. Treasury. As part of this process, the City annually determines potential arbitrage liabilities on its debt issues, on component unit debt issues and on debt issues assumed by the City from various Municipal Utility Districts.

Note 11 - 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; and natural disasters for which the City participates in the Texas Municipal League's General Liability Fund. In addition, the City participates in the Texas Municipal League's Workers Compensation Fund to insure the City for workers compensation claims. The Texas Municipal League is not intended to operate as an insurance company but rather as contracting mechanism by which the city provides self-insurance benefits to its employees. The fund contracts with a third-party administrator for administration, investigation and adjustment services in the handling of claims. Premiums are based on the estimated City payroll risk factor and rates. The premiums are adjusted by the City's experience modifier. All loss contingencies, including claims incurred but not reported, if any, are recorded and accounted for by the TML Pool. The City has not significantly reduced insurance coverage in the last three years.

Note 12 - Strategic Partnership Agreements

On October 22, 2007, the City entered into Strategic Partnership Agreements (SPA) with Pecan Grove Municipal Utility District ("Pecan Grove MUD") and Fort Bend County Municipal Utility District No. 116 ("FBCMUD 116") whereby the City will annex certain commercial areas within Pecan Grove MUD and FBCMUD 116 (the Limited Purpose Tracts). The City shall impose a Sales and Use Tax on the sale and use at retail of taxable items within the Limited Purpose Tracts. Pecan Grove MUD and FBCMUD 116 are entitled to one-half of all Sales and Use Tax revenues, which will be paid to the Districts by the City within 30 days of receipt by the City. During the current fiscal year, the City paid \$157,390 to Pecan Grove MUD and \$220,570 to FBCMUD 116 in tax rebates in accordance with the SPA.

The Districts may audit the Sales and Use Tax collections by the City solely to determine whether the Sales and Use Tax revenue payments have been made to the Districts in accordance with this agreement. The Districts must give the City a 30-day written notice of such audit and the audit shall be made at each District's sole cost and expense.

Note 13 - Richmond-Rosenberg Local Government Corporation

The Richmond-Rosenberg Local Government Corporation (the "RRLGC") was organized for the purpose of aiding, assisting and acting on behalf of the City of Richmond, Texas, and the City of Rosenberg, Texas, in the performance of the governmental functions thereof in order to promote the common good and general welfare, including, without limitation, acquiring, constructing, leasing, improving, enlarging, extending, repairing, maintaining and operating a regional water utility system. The Board of Directors consists of five members. Two Directors are appointed by a resolution adopted by the Richmond City Commission, two Directors are appointed by a resolution adopted by the City of Rosenberg City Commission and one Director is appointed jointly by a resolution of the Richmond City Commission and the Rosenberg City Commission. The RRLGC is currently inactive.

CITY OF RICHMOND, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 14 - Hurricane Harvey

The Houston area sustained widespread rain damage and flooding as a result of Hurricane Harvey's landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. The center of the City is located approximately 55 miles from the Texas Gulf Coast and approximately 1.5 miles from the Brazos River. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms and other tropical disturbances. According to the City, the City did not sustain any significant damage and there was no interruption of water and sewer service. Further, according to the City, fewer than 63 homes and no commercial properties within the City experienced flooding or other significant damage.

The City has authorized a reappraisal for homes damaged by the flooding. In accordance with the Texas Tax Code, the City will, with respect to properties damaged by flooding, levy its tax year 2017 taxes on a recalculated taxable assessed value determined by a statutorily prescribed proration formula. Such formula weights the January 1, 2017 valuation based on the percentage of the year that elapsed before the flood damage occurred and grants the remaining weight to the value as of the reappraisal date. The City does not believe the reappraisal will have any material impact on the City's tax base.

Hurricane Harvey could have an adverse impact on the Houston region's economy, including an impact on business activity and development in the region. The City cannot predict what impact Hurricane Harvey will have on the assessed value of homes within the City.

Note 15 - Deficit Equity

The Community Development Block Grant fund holds a deficit fund balance which the City plans to clear out through normal operations.

Note 16 – Subsequent Event

On December 1, 2017 the City issued \$5,955,000 in Combination Tax and Revenue Certificates of Obligation, Series 2017A, and \$3,405,000 in Combination Tax and Revenue Certificates of Obligation, Series 2017B. The proceeds from the sale of the Series 2017A Certificates will be used for construction or acquisition of and/or improvement to the City's water and wastewater system, including the construction and equipment of a surface water treatment plant and the cost of professional services incurred in connection therewith. The proceeds from the sale of the Series 2017B Certificates will be used for construction or acquisition of and/or improvement to (i) City buildings, including a fueling station and a fire station, (ii) City parks and recreational facilities, including George Park and Freeman Town Park, (iii) drainage and detention related improvements, including Lamar Drive drainage and Rabb's Bayou improvements, (iv) the City's water and wastewater system, including a ground storage tank, pumps, motor control rehabilitation, and SCADA system, and (v) the cost of professional services incurred in connection therewith.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RICHMOND, TEXAS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL (GAAP BASIS)

For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Taxes:				
Property taxes	\$ 2,616,849	\$ 2,616,849	\$ 2,626,127	\$ 9,278
Sales and use taxes	4,277,928	4,277,928	4,522,169	244,241
Franchise taxes	742,500	742,500	800,274	57,774
Fines and forfeitures	500,000	500,000	406,544	(93,456)
Licenses and permits	260,000	260,000	329,158	69,158
Intergovernmental	993,054	993,054	964,942	(28,112)
Charges for services	3,748,600	3,748,600	3,981,025	232,425
Investment earnings	5,000	5,000	8,299	3,299
Miscellaneous	50,000	50,000	132,025	82,025
Total Revenues	13,193,931	13,193,931	13,770,563	576,632
Expenditures				
General government:				
General government	1,190,491	1,079,116	1,079,111	5
Vehicle maintenance	186,817	187,222	187,218	4
Information technology	501,420	399,920	363,170	36,750
Janitorial department	104,304	104,304	104,174	130
Municipal courts	547,321	547,321	476,035	71,286
Total general government	<u>2,530,353</u>	<u>2,317,883</u>	<u>2,209,708</u>	<u>108,175</u>
Public safety:				
Police department	3,887,403	3,809,003	3,692,277	116,726
Fire department - central	4,061,432	4,293,901	4,293,901	
Emergency management	145,790	229,659	229,659	
Fire marshal	535,079	584,533	584,528	5
Fire department - station #2	37,400	25,450	25,399	51
Fire department - station #3	42,040	57,520	57,520	
Total public safety	<u>8,709,144</u>	<u>9,000,066</u>	<u>8,883,284</u>	<u>116,782</u>
Public works:				
Public works	475,959	475,959	440,765	35,194
Street department	1,374,345	1,254,345	1,228,487	25,858
Sanitation department	1,505,297	1,528,016	1,528,016	
Total public works	<u>3,355,601</u>	<u>3,258,320</u>	<u>3,197,268</u>	<u>61,052</u>

CITY OF RICHMOND, TEXAS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL (GAAP BASIS) (continued)

For the Year Ended September 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (continued)				
Parks and recreation:				
Parks department	\$ 577,758	\$ 577,758	\$ 568,506	\$ 9,252
Total parks and recreation	<u>577,758</u>	<u>577,758</u>	<u>568,506</u>	<u>9,252</u>
Community development:				
Building Permits	277,374	277,374	244,518	32,856
Community development	252,687	271,517	271,517	
Total community development	<u>530,061</u>	<u>548,891</u>	<u>516,035</u>	<u>32,856</u>
Total Expenditures	<u>15,702,917</u>	<u>15,702,918</u>	<u>15,374,801</u>	<u>328,117</u>
Revenues over (under) expenditures	<u>(2,508,986)</u>	<u>(2,508,987)</u>	<u>(1,604,238)</u>	<u>904,749</u>
Other Financing Sources (Uses)				
Transfers in	1,838,919	1,838,919	1,838,919	
Total other financing sources (uses)	<u>1,838,919</u>	<u>1,838,919</u>	<u>1,838,919</u>	
Net changes in fund balance	(670,067)	(670,068)	234,681	904,749
Fund Balances - Beginning of Year	<u>4,719,192</u>	<u>4,719,192</u>	<u>4,719,192</u>	
Fund Balances - End of Year	<u>\$ 4,049,125</u>	<u>\$ 4,049,124</u>	<u>\$ 4,953,873</u>	<u>\$ 904,749</u>

CITY OF RICHMOND, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY BUDGET INFORMATION

Year ended September 30, 2017

General Budget Policies

The General Fund budget is prepared using the modified accrual basis of accounting.

Annual appropriated budgets are adopted for the general and debt service funds. The original budget is adopted by the City Commission prior to the beginning of the fiscal year. Expenditures may not legally exceed budgeted appropriations at the department level. Expenditure requests, which would require an increase in the total budgeted appropriations, must be approved by City Commission through a formal budget amendment. At any time on the fiscal year, the Commission may make emergency appropriations to meet a pressing need for public expenditure in order to protect the public health, safety, or welfare. The Commission has the power to transfer any unencumbered funds allocated by the budget from one activity, function, or department, to re-estimate revenues and expenditures, and to amend the budget.

Budgetary Compliance

The City of Richmond has complied with all material budget requirements for the year ended September 30, 2017.

CITY OF RICHMOND, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)
Schedule of Changes in Net Pension Liability and Related Ratios
Last Three Measurement Years Ending December 31

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:			
Service cost	\$ 1,356,736	\$ 1,239,239	\$ 1,075,211
Interest	2,465,759	2,399,359	2,292,476
Difference between expected and actual experience	67,960	86,553	(534,308)
Change in assumptions		(116,121)	
Benefit payments, including refunds of employee contributions	<u>(1,406,391)</u>	<u>(1,422,763)</u>	<u>(1,354,207)</u>
Net change in total pension liability	2,484,064	2,186,267	1,479,172
Total pension liability - beginning	<u>36,554,588</u>	<u>34,368,321</u>	<u>32,889,149</u>
Total pension liability - ending (a)	<u>\$ 39,038,652</u>	<u>\$ 36,554,588</u>	<u>\$ 34,368,321</u>
Plan fiduciary net position:			
Contributions - employer	\$ 1,044,433	\$ 1,067,545	\$ 1,006,036
Contributions - employee	553,447	534,155	491,469
Net investment income	2,143,853	46,517	1,699,338
Benefit payments, including refunds of employee contributions	(1,406,391)	(1,422,763)	(1,354,207)
Administrative expense	(24,211)	(28,334)	(17,739)
Other	<u>(1,304)</u>	<u>(1,399)</u>	<u>(1,458)</u>
Net change in plan fiduciary net position	2,309,827	195,721	1,823,439
Plan fiduciary net position - beginning	<u>31,720,691</u>	<u>31,524,970</u>	<u>29,701,531</u>
Plan fiduciary net position - ending (b)	<u>34,030,518</u>	<u>31,720,691</u>	<u>31,524,970</u>
Net pension liability - ending (a) - (b)	<u>\$ 5,008,134</u>	<u>\$ 4,833,897</u>	<u>\$ 2,843,351</u>
Plan fiduciary net position as a percentage of total pension liability	87.17%	86.78%	91.73%
Covered employee payroll (measurement year)	\$ 7,906,389	\$ 7,630,779	\$ 7,015,606
Net pension liability as a percentage of covered employee payroll	63.34%	63.35%	40.53%

The amounts presented are for each measurement year, which end the preceding December 31 of the City's fiscal year end. Net pension liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 68. Ten years of data should be presented in this schedule but data was unavailable prior to 2014.

CITY OF RICHMOND, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)
Schedule of Contributions
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 1,178,490	\$ 1,018,458	\$ 1,012,728	\$ 1,004,526	\$ 938,140
Contribution in relation of the actuarially determined contribution	<u>1,178,490</u>	<u>1,018,458</u>	<u>1,012,728</u>	<u>1,004,526</u>	<u>938,140</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll (fiscal year)	\$ 8,580,137	\$ 7,713,975	\$ 7,015,606	\$ 6,657,271	\$ 6,228,649
Contributions as a percentage of covered employee payroll	13.74%	13.20%	14.44%	15.09%	15.06%
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$ 948,347	\$ 1,044,544	\$ 978,572	\$ 822,636	\$ 661,961
Contribution in relation of the actuarially determined contribution	<u>948,347</u>	<u>1,044,544</u>	<u>978,572</u>	<u>822,636</u>	<u>661,961</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll (fiscal year)	\$ 6,264,236	\$ 6,211,040	\$ 6,269,945	\$ 5,885,710	\$ 5,279,732
Contributions as a percentage of covered employee payroll	15.14%	16.82%	15.61%	13.98%	12.54%

Notes to Required Supplementary Information:

Valuation Date: Actuarial determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Percentage of Payroll, Closed
Remaining Amortization Period:	29 years
Asset Valuation Method:	10 Year smoothed market; 15% soft corridor
Inflation:	2.5%
Salary Increases:	3.50% to 10.5% including inflation
Investment Rate of Return:	6.75%
Retirement Age:	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 – 2014.
Mortality:	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Other Information:	There were no benefit changes during the year.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS**

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Non-Major Governmental Funds

Debt Service Fund

The *Debt Service Fund* is used to account for the accumulation of resources for the payment of principal and interest on general long-term debt of the City.

Special Revenue Funds

To account for the proceeds and specific revenue sources that are legally restricted to expenditures for specific purposes.

Festivals Fund

These monies are restricted for the use of holding festivals within the City.

Parks Improvement Fund

This fund accounts for intergovernmental revenues which are restricted for the use of park improvements.

City Narcotics Seizure Fund

This fund is used to account for revenues from seizures which are restricted for the use of law enforcement expenditures.

State Narcotics Fund

This fund is used to account for revenues from state seizures which are restricted for the use of law enforcement expenditures.

Federal Narcotics Fund

This fund is used to account for revenues from federal seizures which are restricted for the use of law enforcement expenditures.

Community Development Block Grant

These monies are restricted for the use of the community development block grant that is funding revitalization projects for substandard housing within the City

TCLEOSE Fund

This fund accounts for intergovernmental grant revenues and expenditures related to the fire and police departments.

Municipal Court Technology Fund

This fund is used to account for technology court fee assessments. These revenues are restricted for court technology purposes.

Municipal Court Security Fund

This fund is used to account for building security court fee assessments. These revenues are restricted for building security purposes.

CITY OF RICHMOND, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2017

	<u>Debt Service</u>	<u>Festivals Fund</u>	<u>Parks Improvement Fund</u>	<u>Narcotics Seizure City</u>
Assets				
Cash and cash equivalents	\$ 510,991	\$ 708	\$ 6,124	\$ 7,882
Taxes receivable, net	128,258			
Receivable from other governments	62,031			
Total Assets	<u>\$ 701,280</u>	<u>\$ 708</u>	<u>\$ 6,124</u>	<u>\$ 7,882</u>
Liabilities				
Accounts payable			500	
Due to other funds				
Total Liabilities			<u>500</u>	
Deferred Inflows of Resources				
Unavailable revenues	128,258			
Total Deferred Inflows of Resources	<u>128,258</u>			
Fund balances				
Restricted:				
Debt service	573,022			
Public safety				7,882
Community projects		708	5,624	
Unassigned:				
Total Fund Balances	<u>573,022</u>	<u>708</u>	<u>5,624</u>	<u>7,882</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 701,280</u>	<u>\$ 708</u>	<u>\$ 6,124</u>	<u>\$ 7,882</u>

State Narcotics Fund	Federal Narcotics Fund	Community Development Block Grant Fund	TCLEOSE Fund	Municipal Court Technology Fund	Municipal Court Security Fund	Total Non- Major Governmental Funds
\$ 190,884	\$ 4,787	\$	\$ 835	\$ 31,789	\$ 56,188	\$ 810,188
		73,566				128,258
<u>\$ 190,884</u>	<u>\$ 4,787</u>	<u>\$ 73,566</u>	<u>\$ 835</u>	<u>\$ 31,789</u>	<u>\$ 56,188</u>	<u>\$ 1,074,043</u>
		8,174				8,674
		68,886				68,886
		77,060				77,560
						128,258
						128,258
						573,022
190,884	4,787		835	31,789	56,188	292,365
		(3,494)				6,332
<u>190,884</u>	<u>4,787</u>	<u>(3,494)</u>	<u>835</u>	<u>31,789</u>	<u>56,188</u>	<u>(3,494)</u>
						868,225
<u>\$ 190,884</u>	<u>\$ 4,787</u>	<u>\$ 73,566</u>	<u>\$ 835</u>	<u>\$ 31,789</u>	<u>\$ 56,188</u>	<u>\$ 1,074,043</u>

CITY OF RICHMOND, TEXAS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2017

	<u>Debt Service</u>	<u>Festivals Fund</u>	<u>Parks Improvement Fund</u>	<u>Narcotics Seizure City</u>
Revenues				
Property taxes	\$ 1,053,527	\$	\$	\$
Fines and forfeitures				
Intergovernmental	255,088			
Investment earnings	1,734		12	
Miscellaneous				602
Total Revenues	<u>1,310,349</u>		<u>12</u>	<u>602</u>
Expenditures				
Current:				
Public safety				
Public works			18,080	
Capital Outlay				
Debt Service				
Principal	1,120,000			
Interest and other charges	600,927			
Total Expenditures	<u>1,720,927</u>		<u>18,080</u>	
Revenues over (under) expenditures	<u>(410,578)</u>		<u>(18,068)</u>	<u>602</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	231,081			
Total other financing sources (uses)	<u>231,081</u>			
Changes in Fund Balance	(179,497)		(18,068)	602
Fund Balances - Beginning of Year	<u>752,519</u>	<u>708</u>	<u>23,692</u>	<u>7,280</u>
Fund Balances - End of Year	<u>\$ 573,022</u>	<u>\$ 708</u>	<u>\$ 5,624</u>	<u>\$ 7,882</u>

State Narcotics Fund	Federal Narcotics Fund	Community Development Block Grant Fund	TCLEOSE Fund	Municipal Court Technology Fund	Municipal Court Security Fund	Total Non- Major Governmental Funds
\$	\$	\$	\$	\$	\$	\$ 1,053,527
				5,782	4,333	10,115
		165,353	4,073			424,514
	3			22	43	1,814
121,000						121,602
<u>121,000</u>	<u>3</u>	<u>165,353</u>	<u>4,073</u>	<u>5,804</u>	<u>4,376</u>	<u>1,611,572</u>
23,195			7,986			31,181
						18,080
		168,847				168,847
						1,120,000
						600,927
<u>23,195</u>		<u>168,847</u>	<u>7,986</u>			<u>1,939,035</u>
97,805	3	(3,494)	(3,913)	5,804	4,376	(327,463)
						231,081
						231,081
97,805	3	(3,494)	(3,913)	5,804	4,376	(96,382)
93,079	4,784		4,748	25,985	51,812	964,607
<u>\$ 190,884</u>	<u>\$ 4,787</u>	<u>\$ (3,494)</u>	<u>\$ 835</u>	<u>\$ 31,789</u>	<u>\$ 56,188</u>	<u>\$ 868,225</u>

CITY OF RICHMOND, TEXAS

DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL (BUDGETARY BASIS)

For the Year Ended September 30, 2017

	2017		Variance Positive (Negative)	2016
	Final Budget	Actual		Actual
Revenues				
Taxes:				
Property taxes	\$ 1,022,575	\$ 1,053,527	\$ 30,952	\$ 1,084,566
Intergovernmental	255,088	255,088		316,026
Investment earnings	10,000	1,734	(8,266)	1,737
Total Revenues	<u>1,287,663</u>	<u>1,310,349</u>	<u>22,686</u>	<u>1,402,329</u>
Expenditures				
Debt Service:				
Principal	1,120,000	1,120,000		890,000
Interest and other charges	604,750	600,927	3,823	571,397
Total Expenditures	<u>1,724,750</u>	<u>1,720,927</u>	<u>3,823</u>	<u>1,461,397</u>
Revenues over (under) expenditures	<u>(437,087)</u>	<u>(410,578)</u>	<u>18,863</u>	<u>(59,068)</u>
Other Financing Sources (Uses)				
Transfers in	231,081	231,081		139,700
Total other financing sources (uses)	<u>231,081</u>	<u>231,081</u>		<u>139,700</u>
Net changes in fund balances	(206,006)	(179,497)	18,863	80,632
Fund Balances - Beginning of Year	<u>752,519</u>	<u>752,519</u>		<u>671,887</u>
Fund Balances - End of Year	<u>\$ 546,513</u>	<u>\$ 573,022</u>	<u>\$ 26,509</u>	<u>\$ 752,519</u>

UNAUDITED STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information, both current and historical, as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health. To assist financial statement users, the section is categorized as follows:

Contents	Page
Financial Trends	68
These schedules contain trend information to help the reader understand how the City's financial performance and "well-being" have changed over time.	
Revenue Capacity	78
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	
Debt Capacity	82
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	87
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	92
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

CITY OF RICHMOND, TEXAS
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental Activities				
Net investment in capital assets	\$ 4,642,399	\$ 5,535,614	\$ 5,602,683	\$ 5,109,818
Restricted	1,762,875	1,496,984	1,200,637	1,351,687
Unrestricted	<u>803,171</u>	<u>916,309</u>	<u>3,680,396</u>	<u>1,184,543</u>
Total Governmental Activities Net Position	<u>\$ 7,208,445</u>	<u>\$ 7,948,907</u>	<u>\$ 10,483,716</u>	<u>\$ 7,646,048</u>
Business-type Activities				
Net investment in capital assets	\$ 22,652,960	\$ 22,496,624	\$ 21,006,899	\$ 25,306,185
Restricted				
Unrestricted	<u>3,697,280</u>	<u>5,639,822</u>	<u>6,561,532</u>	<u>8,401,699</u>
Total Business-type Activities Net Position	<u>\$ 26,350,240</u>	<u>\$ 28,136,446</u>	<u>\$ 27,568,431</u>	<u>\$ 33,707,884</u>
Primary Government				
Net investment in capital assets	\$ 27,295,359	\$ 28,032,238	\$ 26,609,582	\$ 30,416,003
Restricted	1,762,875	1,496,984	1,200,637	1,351,687
Unrestricted	<u>4,500,451</u>	<u>6,556,131</u>	<u>10,241,928</u>	<u>9,586,242</u>
Total Primary Government Net Position	<u>\$ 33,558,685</u>	<u>\$ 36,085,353</u>	<u>\$ 38,052,147</u>	<u>\$ 41,353,932</u>

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 4,113,159	\$ 2,608,034	\$ 5,179,999	\$ 5,129,543	\$ 5,321,684	\$ 8,050,928
1,055,694	698,128	879,086	1,015,374	1,038,474	953,561
<u>557,684</u>	<u>744,905</u>	<u>2,275,191</u>	<u>1,487,179</u>	<u>2,308,231</u>	<u>2,245,145</u>
<u>\$ 5,726,537</u>	<u>\$ 4,051,067</u>	<u>\$ 8,334,276</u>	<u>\$ 7,632,096</u>	<u>\$ 8,668,389</u>	<u>\$ 11,249,634</u>
\$ 29,258,855	\$ 31,173,123	\$ 33,420,225	\$ 39,834,230	\$ 39,690,192	\$ 43,928,445
	2,379,720	4,268,765	3,898,062	3,898,062	5,547,798
<u>7,784,183</u>	<u>9,644,383</u>	<u>5,886,207</u>	<u>4,536,207</u>	<u>6,890,509</u>	<u>3,810,709</u>
<u>\$ 37,043,038</u>	<u>\$ 43,197,226</u>	<u>\$ 43,575,197</u>	<u>\$ 48,268,499</u>	<u>\$ 50,478,763</u>	<u>\$ 53,286,952</u>
\$ 33,372,014	\$ 33,781,157	\$ 38,600,224	\$ 44,963,773	\$ 45,011,876	\$ 51,979,373
1,055,694	705,795	885,939	4,913,436	4,936,536	6,501,359
<u>8,341,867</u>	<u>12,761,341</u>	<u>12,423,310</u>	<u>6,023,386</u>	<u>9,198,740</u>	<u>6,055,854</u>
<u>\$ 42,769,575</u>	<u>\$ 47,248,293</u>	<u>\$ 51,909,473</u>	<u>\$ 55,900,595</u>	<u>\$ 59,147,152</u>	<u>\$ 64,536,586</u>

CITY OF RICHMOND, TEXAS
CHANGES IN NET POSITION
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Expenses				
Governmental activities:				
General government	\$ 1,407,963	\$ 1,288,832	\$ 1,932,001	\$ 1,356,375
Public safety	5,385,184	6,286,007	6,279,497	6,684,886
Public works	2,400,975	2,592,763	2,535,798	2,635,218
Parks and recreation	478,634	472,608	471,017	454,594
Community development				
Interest on long-term debt	337,848	295,805	479,682	371,471
Total governmental activities expenses	<u>10,010,604</u>	<u>10,936,015</u>	<u>11,697,995</u>	<u>11,502,544</u>
Business-type activities:				
Water and sewer	3,841,501	3,956,907	4,087,381	4,623,424
Surface water				
Total business-type activities expenses	<u>3,841,501</u>	<u>3,956,907</u>	<u>4,087,381</u>	<u>4,623,424</u>
Total Primary Government Expenses	<u>\$ 13,852,105</u>	<u>\$ 14,892,922</u>	<u>\$ 15,785,376</u>	<u>\$ 16,125,968</u>
Program Revenue				
Governmental activities:				
Charges for services:				
Public safety	1,477,147	1,552,105	1,474,934	1,568,045
Public works	955,124	1,369,206	1,217,402	1,303,806
Operating grants and contributions	188,911	629,342	1,278,042	1,615,748
Capital grants and contributions		450,000		
Total governmental activities program revenues	<u>2,621,182</u>	<u>4,000,653</u>	<u>3,970,378</u>	<u>4,487,599</u>
Business-type activities:				
Charges for services:				
Water and sewer	6,050,784	6,524,853	6,681,028	8,366,094
Surface water				
Operating grants and contributions				
Capital grants and contributions				
Total business-type activities program revenues	<u>6,050,784</u>	<u>6,524,853</u>	<u>6,681,028</u>	<u>8,366,094</u>
Total Primary Government Program Revenues	<u>\$ 8,671,966</u>	<u>\$ 10,525,506</u>	<u>\$ 10,651,406</u>	<u>\$ 12,853,693</u>
Net (Expense)/Revenue				
Governmental activities	\$ (7,389,422)	\$ (6,935,362)	\$ (7,727,617)	\$ (7,014,945)
Business-type activities	<u>2,209,283</u>	<u>2,567,946</u>	<u>2,593,647</u>	<u>3,742,670</u>
Total Primary Government Net Expense	<u>\$ (5,180,139)</u>	<u>\$ (4,367,416)</u>	<u>\$ (5,133,970)</u>	<u>\$ (3,272,275)</u>

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 1,657,252	\$ 1,753,484	\$ 1,850,449	\$ 2,028,934	\$ 2,148,288	\$ 2,067,723
6,866,056	6,959,939	6,807,890	7,356,199	8,063,344	8,955,266
2,678,325	4,468,498	4,888,517	5,493,672	4,050,246	3,143,354
483,624	485,120	464,973	469,734	692,201	1,096,613
			56,951	137,820	248,418
<u>430,711</u>	<u>569,840</u>	<u>351,599</u>	<u>502,028</u>	<u>606,835</u>	<u>539,032</u>
<u>12,115,968</u>	<u>14,236,881</u>	<u>14,363,428</u>	<u>15,907,518</u>	<u>15,698,734</u>	<u>16,050,406</u>
4,829,487	5,473,678	7,356,048	5,724,872	5,619,871	5,710,394
			475,315	1,515,334	1,517,533
<u>4,829,487</u>	<u>5,473,678</u>	<u>7,356,048</u>	<u>6,200,187</u>	<u>7,135,205</u>	<u>7,227,927</u>
<u>\$ 16,945,455</u>	<u>\$ 19,710,559</u>	<u>\$ 21,719,476</u>	<u>\$ 22,107,705</u>	<u>\$ 22,833,939</u>	<u>\$ 23,278,333</u>
1,339,251	1,443,301	1,837,584	2,356,960	2,437,425	2,495,391
1,567,992	1,867,707	1,996,562	1,984,941	1,992,205	2,222,489
1,308,839	627,165	4,452,136	2,015,232	1,161,045	2,477,246
19,490	15	124,819			
<u>4,235,572</u>	<u>3,938,188</u>	<u>8,411,101</u>	<u>6,357,133</u>	<u>5,590,675</u>	<u>7,195,126</u>
7,530,461	10,665,213	8,576,256	8,446,349	8,621,016	9,490,742
			2,226,140	2,264,919	2,600,011
	111,804	26,547			
	<u>2,704,271</u>	<u>1,528,577</u>	<u>3,174,445</u>	<u>845,591</u>	
<u>7,530,461</u>	<u>13,481,288</u>	<u>10,131,380</u>	<u>13,846,934</u>	<u>11,731,526</u>	<u>12,090,753</u>
<u>\$ 11,766,033</u>	<u>\$ 17,419,476</u>	<u>\$ 18,542,481</u>	<u>\$ 20,204,067</u>	<u>\$ 17,322,201</u>	<u>\$ 19,285,879</u>
\$ (7,880,396)	\$ (10,298,693)	\$ (5,952,327)	\$ (9,550,385)	\$ (10,108,059)	\$ (8,855,280)
<u>2,700,974</u>	<u>8,007,610</u>	<u>2,775,332</u>	<u>7,646,747</u>	<u>4,596,321</u>	<u>4,862,826</u>
<u>\$ (5,179,422)</u>	<u>\$ (2,291,083)</u>	<u>\$ (3,176,995)</u>	<u>\$ (1,903,638)</u>	<u>\$ (5,511,738)</u>	<u>\$ (3,992,454)</u>

CITY OF RICHMOND, TEXAS
CHANGES IN NET POSITION *(continued)*
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Property taxes	\$ 2,854,330	\$ 3,133,847	\$ 3,157,793	\$ 2,971,542
Sales and use taxes	2,641,250	2,952,295	2,857,057	2,668,475
Franchise taxes	770,604	780,241	783,267	799,263
Investment earnings	69,038	6,673	28,310	35,609
Miscellaneous	495,156		143,458	103,725
Transfers	611,020	802,768	2,951,859	(2,392,119)
Total governmental activities	<u>7,441,398</u>	<u>7,675,824</u>	<u>9,921,744</u>	<u>4,186,495</u>
Business-type activities:				
Investment earnings	192,685	21,028	3,073	4,664
Transfers	(611,020)	(802,768)	(2,951,859)	2,392,119
Total business-type activities	<u>(418,335)</u>	<u>(781,740)</u>	<u>(2,948,786)</u>	<u>2,396,783</u>
Total primary government	<u>\$ 7,023,063</u>	<u>\$ 6,894,084</u>	<u>\$ 6,972,958</u>	<u>\$ 6,583,278</u>
Change in Net Position				
Governmental activities	\$ 51,976	\$ 740,462	\$ 2,194,127	\$ (2,828,450)
Business-type activities	1,790,948	1,786,206	(355,139)	6,139,453
Total primary government	<u>\$ 1,842,924</u>	<u>\$ 2,526,668</u>	<u>\$ 1,838,988</u>	<u>\$ 3,311,003</u>

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 3,007,602	\$ 2,993,345	\$ 3,369,617	\$ 3,274,348	\$ 3,615,207	\$ 3,727,157
2,813,786	3,124,420	3,411,152	3,856,250	4,219,534	4,522,169
705,143	749,861	714,824	742,401	773,538	800,274
25,986	16,541	35,628	37,601	8,239	13,298
37,335	60,176	300,215	403,067	124,834	303,627
(628,967)	1,857,765	2,404,100	2,493,900	2,403,000	2,070,000
<u>5,960,885</u>	<u>8,802,108</u>	<u>10,235,536</u>	<u>10,807,567</u>	<u>11,144,352</u>	<u>11,436,525</u>
5,213	4,343	6,739	5,816	16,943	15,363
628,967	(1,857,765)	(2,404,100)	(2,493,900)	(2,403,000)	(2,070,000)
<u>634,180</u>	<u>(1,853,422)</u>	<u>(2,397,361)</u>	<u>(2,488,084)</u>	<u>(2,386,057)</u>	<u>(2,054,637)</u>
<u>\$ 6,595,065</u>	<u>\$ 6,948,686</u>	<u>\$ 7,838,175</u>	<u>\$ 8,319,483</u>	<u>\$ 8,758,295</u>	<u>\$ 9,381,888</u>
\$ (1,919,511)	\$ (1,496,585)	\$ 4,283,209	\$ 1,257,182	\$ 1,036,293	\$ 2,581,245
3,335,154	6,154,188	377,971	5,158,663	2,210,264	2,808,189
<u>\$ 1,415,643</u>	<u>\$ 4,657,603</u>	<u>\$ 4,661,180</u>	<u>\$ 6,415,845</u>	<u>\$ 3,246,557</u>	<u>\$ 5,389,434</u>

CITY OF RICHMOND, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General fund				
Nonspendable	\$	\$	\$	\$
Unassigned	854,506	187,398	143,366	1,126,005
Total General Fund	<u>\$ 854,506</u>	<u>\$ 187,398</u>	<u>\$ 143,366</u>	<u>\$ 1,126,005</u>
All other governmental funds				
Restricted:	\$ 1,190,545	\$	\$	\$
Debt service		1,024,540	1,090,314	1,053,463
Capital projects		266,114	6,724,042	3,139,662
Other		137,927	146,813	320,319
Unassigned	596,736			
Total all other governmental funds	<u>\$ 1,787,281</u>	<u>\$ 1,428,581</u>	<u>\$ 7,961,169</u>	<u>\$ 4,513,444</u>

Note : In conforming to provisions of GASB Statement No. 54, fund balances of prior periods were restated to the new fund balance classifications.

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$	\$	\$ 2,864	\$ 3,886	\$ 13,478	\$ 8,510
<u>1,131,452</u>	<u>1,695,266</u>	<u>2,500,539</u>	<u>3,536,945</u>	<u>4,705,714</u>	<u>4,945,363</u>
<u>\$ 1,131,452</u>	<u>\$ 1,695,266</u>	<u>\$ 2,503,403</u>	<u>\$ 3,540,831</u>	<u>\$ 4,719,192</u>	<u>\$ 4,953,873</u>
\$	\$	\$	\$	\$	\$
875,125	625,051	637,862	671,887	752,519	573,022
1,196,461	7,205,198	7,187,551	3,036,998	4,915,125	3,305,979
214,909	119,758	175,882	266,420	212,088	298,697
					(3,494)
<u>\$ 2,286,495</u>	<u>\$ 7,950,007</u>	<u>\$ 8,001,295</u>	<u>\$ 3,975,305</u>	<u>\$ 5,879,732</u>	<u>\$ 4,174,204</u>

CITY OF RICHMOND, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenues				
Taxes:				
Property taxes	\$ 2,836,114	\$ 3,117,441	\$ 3,136,447	\$ 2,974,957
Sales and use taxes	2,641,250	2,952,295	2,857,057	2,668,475
Franchise taxes	770,604	780,241	783,267	799,263
Fines and forfeitures	330,922	300,536	296,037	321,482
Licenses and permits	140,954	242,820	121,403	128,742
Intergovernmental	190,862	334,278	228,410	708,158
Charges for services	1,973,729	2,158,733	2,279,897	2,426,702
Investment earnings	69,038	6,673	28,310	35,609
Miscellaneous	495,156	514,286	1,188,089	1,006,239
Total Revenues	<u>9,448,629</u>	<u>10,407,303</u>	<u>10,918,917</u>	<u>11,069,627</u>
Expenditures				
General government	1,575,000	1,329,691	1,624,722	1,484,292
Public safety	5,386,062	6,262,566	6,354,900	6,509,162
Public works	2,198,603	2,280,917	2,237,085	2,383,400
Culture and recreation	429,448	376,298	379,060	372,906
Community development				
Capital outlay	1,045,918	560,536	36,495	10,875
Debt service:				
Principal	691,698	677,485	682,770	881,336
Interest and other charges	339,778	298,386	413,400	382,968
Debt issuance costs			222,525	
Intergovernmental contributions			400,000	
Total Expenditures	<u>11,666,507</u>	<u>11,785,879</u>	<u>12,350,957</u>	<u>12,024,939</u>
Excess of revenues over (under) expenditures	(2,217,878)	(1,378,576)	(1,432,040)	(955,312)
Other Financing Sources (Uses)				
Transfers in	1,250,000	1,829,953	7,201,713	1,900,000
Transfers out	(638,980)	(577,185)	(4,249,854)	(4,292,119)
Bonds issued			9,040,000	
Premium on bonds issued			275,462	
Payments to refunded bond escrow agent			(4,683,931)	
Capital leases			400,000	
Total other financing sources (uses)	<u>611,020</u>	<u>1,252,768</u>	<u>7,983,390</u>	<u>(2,392,119)</u>
Net Change in Fund Balances	<u>\$ (1,606,858)</u>	<u>\$ (125,808)</u>	<u>\$ 6,551,350</u>	<u>\$ (3,347,431)</u>
Debt service as a percentage of noncapital expenditures	9.7%	8.7%	9.5%	10.4%

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 3,188,280	\$ 3,033,219	\$ 3,165,900	\$ 3,245,746	\$ 3,615,207	\$ 3,679,654
2,813,786	3,124,420	3,411,152	3,856,250	4,231,660	4,522,169
705,143	749,861	714,824	742,401	761,412	800,274
318,837	391,778	456,305	598,244	491,454	416,659
182,580	378,338	377,713	251,208	198,753	329,158
593,314	620,415	4,672,711	2,262,965	1,202,031	2,468,284
2,411,351	2,547,642	3,027,678	3,497,651	3,748,423	3,981,025
25,986	16,541	35,628	37,601	8,239	13,298
747,337	61,246	52,090	150,132	74,848	303,627
<u>10,986,614</u>	<u>10,923,460</u>	<u>15,914,001</u>	<u>14,642,198</u>	<u>14,332,027</u>	<u>16,514,148</u>
1,565,105	1,681,486	1,764,555	1,991,009	2,070,135	1,980,842
6,289,985	6,467,967	6,867,739	7,064,212	7,338,749	8,149,828
2,442,678	2,287,018	2,534,669	2,627,117	2,962,370	3,064,484
394,024	409,587	395,813	379,089	591,704	651,924
			58,046	134,920	244,518
3,116,088	1,444,579	4,500,246	6,522,278	2,442,203	4,159,061
890,928	699,311	929,920	918,637	1,024,249	1,201,120
370,774	647,142	597,336	564,272	663,604	603,218
<u>15,069,582</u>	<u>13,637,090</u>	<u>17,590,278</u>	<u>20,124,660</u>	<u>17,227,934</u>	<u>20,054,995</u>
(4,082,968)	(2,713,630)	(1,676,277)	(5,482,462)	(2,895,907)	(3,540,847)
2,047,000	2,108,989	2,404,100	2,493,900	2,423,384	2,070,000
(234,381)	(251,224)			(20,384)	
	6,323,884			3,375,000	
	296,116			200,695	
	(2,045,472)				
40,411	2,265,000	79,149			
<u>1,853,030</u>	<u>8,697,293</u>	<u>2,483,249</u>	<u>2,493,900</u>	<u>5,978,695</u>	<u>2,070,000</u>
<u>\$ (2,229,938)</u>	<u>\$ 5,983,663</u>	<u>\$ 806,972</u>	<u>\$ (2,988,562)</u>	<u>\$ 3,082,788</u>	<u>\$ (1,470,847)</u>

9.0%

10.3%

11.7%

9.2%

10.8%

11.3%

CITY OF RICHMOND, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY
Last Ten Fiscal Years

Fiscal Year	Tax Year	Real Property Value (1)			Less Tax Exempt Real Property	Total Taxable Assessed Value (2)	Total Direct Tax Rate (3)
		Residential Property	Commercial Property	Personal Property			
2008	2007	\$ 191,067,275	\$ 243,104,120	\$ 81,100,922	\$ 151,602,280	\$ 363,670,037	0.79000
2009	2008	206,216,948	285,710,705	81,043,685	173,417,630	399,553,708	0.79000
2010	2009	205,689,110	342,129,164	83,740,496	235,769,476	395,789,294	0.78650
2011	2010	202,697,125	357,514,250	71,360,572	258,258,484	373,313,463	0.78650
2012	2011	205,094,490	367,777,575	70,433,777	259,815,303	383,490,539	0.78650
2013	2012	202,121,195	368,121,195	67,294,981	261,595,051	375,942,320	0.78650
2014	2013	215,780,060	380,213,750	70,022,347	268,803,974	397,212,183	0.78000
2015	2014	222,059,615	393,692,525	61,290,328	268,799,985	408,242,483	0.77000
2016	2015	244,500,875	417,816,625	66,517,447	271,310,629	457,524,318	0.75500
2017	2016	255,834,815	482,722,025	57,026,778	312,417,700	483,165,918	0.73500

- (1) The value is the appraised value at original certification and fluctuates due to property owner protests and preliminary appraisal values at the time of certification.
- (2) Property is assessed at actual value; therefore, the assessed values are equal to actual value
- (3) Tax rate per \$100 assessed valuation.

Source: Tax assessor/collector records

CITY OF RICHMOND, TEXAS
PROPERTY TAX RATES (1)
DIRECT AND OVERLAPPING GOVERNMENTS (2)
Last Ten Fiscal Years

<u>City of Richmond</u>						
<u>Fiscal Year</u>	<u>Maintenance Rate</u>	<u>Debt Service Rate</u>	<u>Total Tax Rate</u>	<u>Lamar CISD</u>	<u>Fort Bend County</u>	<u>Total</u>
2008	0.55270	0.23730	0.79000	1.29765	0.51674	2.60439
2009	0.57920	0.21080	0.79000	1.29765	0.49976	2.58741
2010	0.52900	0.25750	0.78650	1.29765	0.49976	2.58391
2011	0.53930	0.24720	0.78650	1.36455	0.49976	2.65081
2012	0.54670	0.23980	0.78650	1.39005	0.49976	2.67631
2013	0.54360	0.24290	0.78650	1.39005	0.49976	2.67631
2014	0.54380	0.23620	0.78000	1.39005	0.49976	2.66981
2015	0.54290	0.22710	0.77000	1.39005	0.49476	2.65481
2016	0.52900	0.22600	0.75500	1.39005	0.48600	2.63105
2017	0.52520	0.20980	0.73500	1.39005	0.47400	2.59905

(1) Tax rate per \$100 assessed valuation

(2) Overlapping rates are those of local and county governments that apply to property owners within the City of Richmond Not all overlapping rates apply to all City of Richmond property owners (e.g., the county rates apply only to the proportion of the City's property owners whose property is located within the geographic boundaries of the specific county).

Source: Tax department records of various taxing authorities

CITY OF RICHMOND, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago

Taxpayer	2017			2008		
	Taxable Assessed Value (1)	Rank	% of Total Assessed Valuation (2)	Taxable Assessed Value (1)	Rank	% of Total Assessed Valuation (2)
Ransom Road Partners LLC	\$ 25,999,990	1	5.1%			
Wal-Mart Real Estate Business Tru	9,952,600	2	1.9%	\$ 9,652,360	1	2.7%
LSREF3 Bravo (houston) LLC	8,516,850	3	1.7%			
Houston MOB 3 LLC	8,211,480	4	1.6%			
Richmond Self Storage Ltd	6,486,360	5	1.3%			
Wal-Mart Stores Texas LLC	6,401,040	6	1.2%	8,781,340	2	2.5%
Archer Daniel Midland CO	6,354,650	7	1.2%	6,919,320	3	1.9%
OakBend Medical Center	5,223,279	8	1.0%			
Wolverine Mustang LP	4,957,410	9	1.0%			
Centerpoint Energy Electric	4,258,350	10	0.8%			
Hunter Clayton LLC				6,607,030	4	1.9%
Matrix Metals LLC				6,056,930	5	1.7%
Heritage Country Club Place, LP				5,300,820	6	1.5%
Polly Ryon Hospital Authority				4,939,510	7	1.4%
CenterPoint Energy Inc				4,112,800	8	1.2%
Golfview Holdings LLC				3,406,350	9	1.0%
Southern Cotton Oil Co				2,607,350	10	0.7%
	<u>86,362,009</u>		<u>16.8%</u>	<u>58,383,810</u>		<u>16.5%</u>
Other taxpayers	<u>428,396,788</u>		<u>83.2%</u>	<u>298,523,090</u>		<u>83.5%</u>
Total Assessed Valuation	<u><u>\$ 514,758,797</u></u>		<u><u>100.0%</u></u>	<u><u>\$ 356,906,900</u></u>		<u><u>100.0%</u></u>

(1) Assessed (taxable) value equals appraised value after exemptions.

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for valuation data.

Source: City tax department

CITY OF RICHMOND, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year	Tax Year	Tax Rate (1)	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy	Amount	Amount	Percentage of Levy
2008	2007	0.79000	\$ 2,817,611	\$ 2,707,816	96.1%	\$ 89,461	\$ 2,797,277	99.3%
2009	2008	0.79000	3,117,375	2,982,814	95.7%	119,926	3,102,740	99.5%
2010	2009	0.78650	3,167,197	3,006,008	94.9%	146,308	3,152,316	99.5%
2011	2010	0.78650	2,988,938	2,846,225	95.2%	127,762	2,973,987	99.5%
2012	2011	0.78650	3,016,882	2,927,688	97.0%	69,235	2,996,923	99.3%
2013	2012	0.78650	2,963,047	2,890,178	97.5%	52,484	2,942,662	99.3%
2014	2013	0.78000	3,099,933	3,022,710	97.5%	54,762	3,077,472	99.3%
2015	2014	0.77000	3,230,521	3,142,305	97.3%	59,939	3,202,244	99.1%
2016	2015	0.75500	3,546,562	3,472,192	97.9%	39,528	3,511,720	99.0%
2017	2016	0.73500	3,662,777	3,559,751	97.2%		3,559,751	97.2%

(1) Tax rate per \$100 assessed valuation

Source: City tax department

CITY OF RICHMOND, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government
	General Obligation Bonds (1)	Certificates of Obligation (1)	Capital Leases (1)	Certificates of Obligation (1)	Capital Leases	
2008	\$ 6,573,594	\$	\$ 665,812	\$ 2,455,000	\$ 16,307	\$ 9,710,713
2009	6,011,335		518,173	2,305,000		8,834,508
2010	9,864,075		773,022	2,155,000		12,792,097
2011	9,225,392		671,686	2,005,000		11,902,078
2012	8,266,079		601,167	1,855,000		10,722,246
2013	14,062,636	2,322,893	471,857			16,857,386
2014	13,252,056	2,260,577	391,086			15,903,719
2015	12,522,056	2,200,577	235,344	9,988,256		24,946,233
2016	11,524,289	5,807,432	81,120	16,184,983		33,597,824
2017	10,656,547	5,511,854		15,524,643		31,693,044

(1) Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for valuation data.

(3) See the Schedule of Demographic and Economic Statistics for personal income and population data.

N/A - information is unavailable

Percentage of Actual Taxable Value of Property (2)	Percentage of Personal Income (3)	Per Capita (3)
2.67%	4.24%	\$ 724
2.21%	4.31%	655
3.23%	4.85%	1,095
3.19%	5.73%	1,019
2.80%	5.85%	918
4.48%	7.03%	1,446
4.00%	4.99%	1,323
6.11%	10.15%	2,076
7.34%	13.77%	2,768
6.56%	13.09%	2,621

CITY OF RICHMOND, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds (1)	Certificates of Obligation (1)	Less Amounts Available in Debt Service Fund	Net Bonded Debt
2008	\$ 6,573,594	\$ 2,455,000	\$ 1,003,541	\$ 5,570,053
2009	6,011,335	2,305,000	1,024,540	4,986,795
2010	9,864,075	2,155,000	1,090,314	8,773,761
2011	9,225,392	2,005,000	1,053,463	8,171,929
2012	8,266,079	1,855,000	875,125	7,390,954
2013	14,062,636	2,322,893	625,051	15,760,478
2014	13,252,056	2,260,577	625,051	14,887,582
2015	12,522,056	12,188,833	637,862	24,073,027
2016	11,524,289	21,992,415	752,519	32,764,185
2017	10,656,547	21,036,497	573,022	31,120,022

(1) Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for valuation data.

(3) See the Schedule of Demographic and Economic Statistics for personal income and population data.

Note: The business-type activities debt is not although it is payable from a combination of the levy and collection of ad valorem tax and surplus net revenues of the City's Waterworks and Sewer System. However, it is the City's intent to fully fund the debt service from business-type activities.

Percentage of Estimated Actual Taxable Value of Property (2)	Percentage of Personal Income (3)	Per Capita (3)
1.53%	2.43%	416
1.25%	2.43%	370
2.22%	3.32%	751
2.19%	3.93%	700
1.93%	4.03%	633
4.19%	6.57%	1,352
3.75%	4.67%	1,239
5.90%	9.80%	2,003
7.16%	13.43%	2,699
6.44%	12.85%	2,574

CITY OF RICHMOND, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL
ACTIVITIES DEBT
September 30, 2017

<u>Name of Governmental Unit</u>	<u>Gross Debt</u>	<u>Estimated Percentage Overlapping</u>	<u>Amount</u>
Lamar CISD	\$ 719,995,000	3.93%	\$ 28,295,804
Fort Bend County	523,195,000	0.91%	4,761,075
Total Overlapping Debt			<u>33,056,879</u>
City of Richmond	31,693,044	100.00%	<u>31,693,044</u>
Total Direct and Overlapping Debt			<u><u>\$ 64,749,923</u></u>
Ratio of Direct and Overlapping Funded Debt to 2015 Taxable Assessed Valuation			<u><u>13.40%</u></u>
Per Capita Debt - Direct and Overlapping			<u><u>\$ 5,355</u></u>

Notes:

- 1) The business-type activities debt is included due to it being payable from a combination of the levy and collection of ad valorem tax and surplus net revenues of the City's Waterworks and Sewer System. However, it is the City's intent to fully fund the debt service from business-type activities.
- 2) Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Methodology for Deriving Overlapping Percentages:

- 1) Determine the estimated shared assessed valuation of taxable property within both the overlapping taxing body and the City.
- 2) Divide that shared value by the total assessed value of taxable property within the overlapping taxing

Source: Texas Municipal Advisory Council

CITY OF RICHMOND, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income (1)	Median Age (1)	School Enrollment (2)	Unemployment Rate (3)
2008	13,404	\$ 228,980,532	\$ 17,083	31	2,153	5.5%
2009	13,493	205,026,135	15,195	30	1,983	6.1%
2010	11,679	263,914,596	19,503	30	2,524	8.3%
2011	11,679	207,792,768	17,792	30	1,989	7.6%
2012	11,679	183,358,065	15,195	30.50	3,089	7.0%
2013	11,654	239,866,088	19,514	31.90	2,316	5.5%
2014	12,018	318,633,234	26,513	33.00	2,258	4.3%
2015	12,018	245,683,974	20,443	33.00	2,401	4.3%
2016	12,138	243,925,248	20,096	34.00	2,439	5.3%
2017	12,092	242,166,484	20,027	34.80	2,373	5.3%

Data Sources:

- (1) United States Census Bureau
- (2) Lamar Consolidated Independent School District
- (3) Texas Workforce Commission

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CITY OF RICHMOND, TEXAS
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

<u>Employer</u>	<u>2017</u>		<u>2008</u>	
	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
Lamar CISD	2,884	1		
Fort Bend County	2,225	2	2,035	1
Richmond State School	1,446	5	1,194	2
Oak Bend Hospital	1,164	6	436	3
Walmart	316	7	286	5
Access Health	231	8		
City of Richmond	165	9	140	6
Wharton County Junior College	157	10		
Nepco Foundry			303	4
T.W. Davis YMCA			100	7
Richmond Post Office			63	8
ADM Cotton Mill			40	9
Office Depot			6	10
Total	<u>8,588</u>		<u>4,603</u>	

Source: Development Corporation of Richmond

Note: Information on total City employment was unavailable.

CITY OF RICHMOND, TEXAS**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION***Last Ten Fiscal Years*

Function	2008	2009	2010	2011
General Government	10	10	9	8
Public Safety				
Police				
Officers	31	31	30	31
Civilians	11	11	10	12
Fire				
Firefighters	34	34	34	34
Civilians	3	3	3	3
Public Works				
Administration	2	2	2	2
Streets and Sanitation	10	11	11	11
Maintenance and Operations	4	4	4	4
Parks and Recreation	7	7	7	7
Water and Sewer	28	27	30	30
Total	140	140	140	142

Source: City personnel records

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
10	11	9	8	13	13
31	29	32	33	31	31
13	12	10	10	12	14
40	43	42	43	43	42
4	4	4	5	10	10
2	2	2	4	5	5
12	11	11	11	11	12
4	4	6	6	5	5
7	7	7	7	6	6
33	31	34	38	38	41
<u>154</u>	<u>154</u>	<u>157</u>	<u>165</u>	<u>174</u>	<u>179</u>

CITY OF RICHMOND, TEXAS
OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

Function	2008	2009	2010	2011
Police				
Arrests	401	501	745	280
Accident Reports	246	239	237	209
Citations	4,575	3,989	3,611	2,705
Offense reports	1,759	1,650	1,413	1,098
Calls for Service	67,499	58,944	30,078	26,481
Fire				
Fires	192	205	159	226
Explosion, Fireworks	1	2	-	-
Rescue / Emergency Medical Incident	1,800	1,740	1,648	1,484
Motor Vehicle Accidents	119	146	180	144
Hazardous Condition, no fire	285	290	302	252
Service Calls	756	696	699	515
Good Intent Calls	175	165	149	130
False Alarm / False Call / Fire Alarms	276	301	413	452
Special Incident Type, City Ordinance Viol	2	5	2	1
Automatic Aid / Mutual Aid Given	141	137	149	168
Automatic Aid / Mutual Aid Received	60	47	28	86
Total Incident Reports	3,807	3,734	3,729	3,458
Fire Marshal				
Fire Safety inspections conducted	274	340	328	301
Fire Safety classes/total audience	54/3942	57/4134	71/6468	67/6442
Fire investigations initiated	37	37	26	35
Building Permits				
Building - total permits issued	1,567	1,262	1,369	2,508
Building - total inspections conducted	4,320	2,903	2,861	4,018
Water				
Total Consumption (millions of gallons)	723.511	723.511	720.179	971.275
Peak daily consumption (millions of gallons)	3.214	3.214	3.267	4.445
Average daily consumption (millions of gallons)	1.977	1.977	1.973	2.661
Sewer				
Average daily sewage treatment (millions of gallons)	1.376	1.376	1.492	1.415
Total Consumption (millions of gallons)	503.745	503.745	546.592	516.391
Peak daily consumption (millions of gallons)	3.000	3.000	2.778	2.717

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
323	467	353	589	578	607
181	197	207	207	274	279
3,456	3,897	3,922	2,767	2,459	1,526
973	1,178	1,167	1,056	1,146	971
20,475	22,268	22,862	23,168	21,583	16,919
162	190	145	187	188	185
-	-	5	22	5	2
1,680	1,862	2,070	2,382	2,709	3,098
167	230	269	327	328	347
219	139	120	162	150	140
394	363	331	308	274	335
193	172	179	151	221	161
404	355	399	484	430	512
49	89	52	96	149	118
192	177	145	167	200	156
61	69	61	86	54	55
3,521	3,646	3,776	4,372	4,708	5,109
270	200	260	247	160	322
69/6444	77/3629	81/3901	78/3800	45/3884	63/5701
35	36	32	12	23	52
2,206	2,649	2,731	2,638	2,264	2,842
3,961	5,763	8,426	9,105	8,505	7,192
819	825.755	820.761	869.066	803.309	862.470
3.518	3.782	3.666	4.474	3.527	4.130
2.243	2.262	2.248	2.381	2.543	2.780
1.533	1.336	1.341	1.354	1.504	1.495
560.079	487.633	489.465	494.192	577.946	547.335
5.778	3.541	3.908	6.102	6.122	6.262

CITY OF RICHMOND, TEXAS
CAPITAL ASSETS STATISTICS BY FUNCTION
Last Ten Fiscal Years

Function	2008	2009	2010	2011
Public safety				
Police				
Stations	1	1	1	1
Patrol units	25	27	27	27
Fire				
Fire stations	2	2	3	3
Public Works				
Dump trucks	10	10	10	9
Streets (miles)	45	45	45	38
Parks and recreation				
Parks acreage	235	235	235	235
Parks	3	3	3	3
Water and sewer				
Water mains (miles)	50	50	50	53
Fire hydrants	287	292	292	326
Maximum daily capacity (millions of gallons)	3.167	3.167	3.167	7.171
Sanitary sewers (miles)	44	44	44	44
Storm sewers (miles)	12	12	12	12
Maximum daily treatment capacity (millions of gallons)	3.000	3.000	3.000	3.000

Source: Various City departments

Note: No capital asset indicators are available for the general government function

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
1	1	1	1	1	1
23	23	23	23	25	28
3	3	3	3	3	3
9	9	9	9	8	8
38	38	38	38	38	38
235	246	246	246	246	246
3	4	4	4	5	6
53	54	54	54	54	56
326	342	353	353	353	359
7	7.171	7.171	7.171	7.171	11.601
44	44	44	44	44	54
12	12	12	12	12	12
3.000	3.000	3.000	3.000	3.000	3.000

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