

# City of Richmond, Texas

## Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2018



**Evalyn Moore**  
MAYOR  
**Barry C. Beard**  
**Carl Drozd**  
**Terry R. Gaul**  
**Josh Lockhart**  
COMMISSIONERS



**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**CITY OF RICHMOND, TEXAS**

**For the fiscal year ended  
September 30, 2018**

**Terri Vela  
City Manager**

**Prepared by  
Finance Department**

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**CITY OF RICHMOND, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**SEPTEMBER 30, 2018**

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# **INTRODUCTORY SECTION**

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**EVALYN W. MOORE**  
**MAYOR**  
**BARRY C. BEARD**  
**CARL DROZD**  
**TERRY R. GAUL**  
**JOSH LOCKHART**  
**COMMISSIONERS**

# City of Richmond

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



March 29, 2019

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, 2018, 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 Pattillo, Brown & Hill, L.L.P. 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, 2018, 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, 2018, 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 of 4.3 square miles and serves a population of 12,303. 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 upon request by the majority of land owners and approval is granted by the City Commission.

The Commission, vested with policy-making and legislative authority, is comprised of a Mayor and four Commissioners. The Mayor and Commissioners 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 reviews, makes recommendations and presents the proposed budget to the Commission for review. The Commission is required to hold a public hearing on the proposed 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, fire). Department heads may make transfers of appropriations between line items (e.g. supplies) at the department level. Transfers of appropriations between departments, however, require the approval of the City 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 officially adopts 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, including: 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% of total assessed valuation in the City, which adds to the stable property tax base when coupled with the strong residential foundation.

Taxable assessed value for all residential and commercial property in the City exceeded \$517 million for fiscal year 2018, which is a 0.6% increase from fiscal year 2017.

## **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 (ETJ), which is benefitting the economic growth within the city limits of Richmond. Strategic Partnership agreements are in place with various Municipal Utility Districts (MUDs) to share in the sales tax generated from commercial activity in the City's ETJ along the I-69 corridor.

Average home values in the City continue to increase as new investments are being made. This year, the values increased from \$118,333 to \$123,358 or 4.25% for the fiscal year beginning October 1, 2018. Unemployment has decreased slightly from the previous year to 4.6%, as of September 30, 2018.

## **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 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 has met and is currently exceeding the 2016 required ground water reduction and is working on plans to obtain more water rights and expand its existing surface water treatment plant to meet the 2025 required reduction.

## **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, 2017. This was the 14th 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 Recent 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



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Richmond  
Texas**

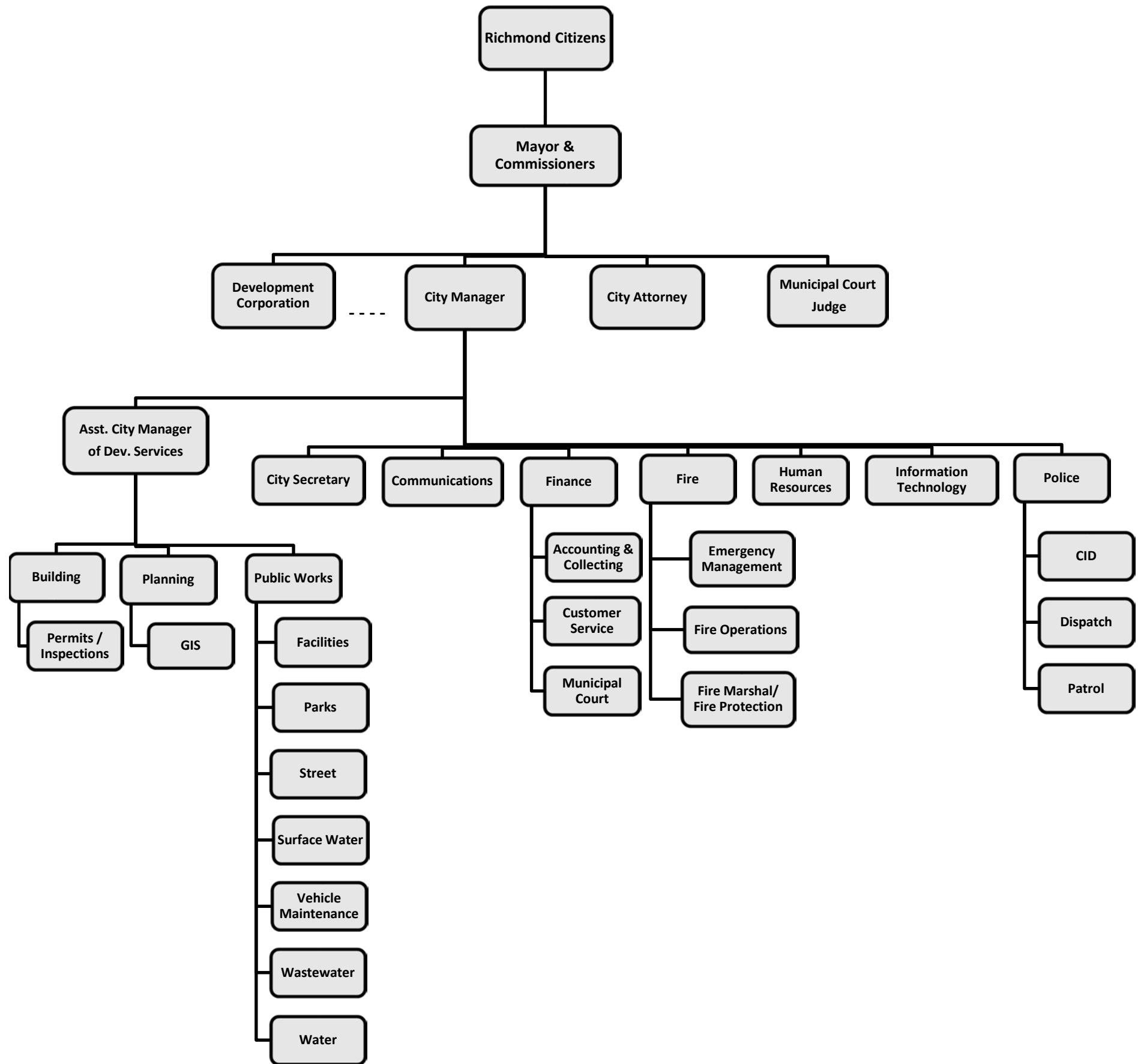
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2017**

*Christopher P. Morill*

Executive Director/CEO

City of Richmond  
Organizational Chart



# CITY OF RICHMOND, TEXAS

## PRINCIPAL OFFICIALS

SEPTEMBER 30, 2018

<b>Elected Officials</b>	<b>Position</b>
Evalyn Moore	Mayor
Terry Gaul	Commissioner Position 1
Barry Beard	Commissioner Position 2
Carl Drozd	Commissioner Position 3
Josh Lockhart	Commissioner Position 4

<b>Key Staff</b>	<b>Position</b>
Terri Vela	City Manager*
Gary Smith	City Attorney*
Laura Scarlato	City Secretary
Phyllis Ross	Municipal Court Judge*
Gary Adams	Police Chief
Susan Lang	Finance Director
Howard Christian	Director of Public Works
Jose Abraham	Director of Planning
Mike Youngblood	Fire Chief

\* City Commission Appointment

# **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

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

### **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 the City of Richmond, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Richmond, Texas' 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.

### ***Auditors' 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 from material misstatement.

#### OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston  
NEW MEXICO | Albuquerque

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 of Richmond, Texas, as of September 30, 2018, 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.

### ***Change in Accounting Principle***

As discussed in the notes to the financial statements, in fiscal year 2018 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB information 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 of Richmond, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, 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 nonmajor fund financial statements and schedules 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 nonmajor fund financial statements and schedules 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 29, 2019, on our consideration of the City of Richmond, Texas' 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 the effectiveness of the City of Richmond, Texas' 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 of Richmond, Texas' internal control over financial reporting and compliance.

*Pattillo, Brown & Hill, L.L.P.*

Waco, Texas  
March 29, 2019

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**MANAGEMENT'S  
DISCUSSION AND ANALYSIS**

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## 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, 2018.

#### 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 \$66,505,217 (*net position*). Of this amount, \$9,714,051 (*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 \$570,482 before a prior period adjustment. The City implemented GASB Statement No. 75, *Accounting and Reporting for Post-Employment Benefits Other Than Pensions*. Adoption of GASB 75 required a prior period adjustment to report the effect of the standard retroactively. The City also had a prior period adjustment to restate a payable balance from the prior year. Total prior period adjustments amounted to a \$1,398,149 increase to beginning net position.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,325,003, an increase of \$3,196,926 over the prior year. Approximately 44% of this total amount, \$5,462,369, 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 16-18 of this report.

## **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, Debt Service, and Capital Projects Funds, which are considered to be major funds. Data from the other 9 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 19-22 of this report.

### **Proprietary Funds**

The City maintains two types of proprietary funds, which are 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 23-25 of this report.

### **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 28-55 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 and OPEB benefits to its employees and budgetary comparisons. Required supplementary information can be found on pages 56-61 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 \$66,505,217 (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, 75%, 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.

The following table provides a summary of the City's net position at September 30, 2018 and 2017:

#### CONDENSED SCHEDULE OF NET POSITION *September 30, 2018*

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 13,462,651	\$ 10,810,788	\$ 17,011,851	\$ 15,257,877	\$ 30,474,502	\$ 26,068,665
Capital assets	<u>21,179,439</u>	<u>20,890,777</u>	<u>60,929,283</u>	<u>59,513,372</u>	<u>82,108,722</u>	<u>80,404,149</u>
Total assets	<u>34,642,090</u>	<u>31,701,565</u>	<u>77,941,134</u>	<u>74,771,249</u>	<u>112,583,224</u>	<u>106,472,814</u>
Deferred outflows of resources	<u>1,326,799</u>	<u>1,962,398</u>	<u>326,862</u>	<u>484,957</u>	<u>1,653,661</u>	<u>2,447,355</u>
Current and other liabilities	2,384,819	2,489,760	3,082,076	6,177,575	5,466,895	8,667,335
Long-term liabilities	<u>20,789,566</u>	<u>19,684,547</u>	<u>20,300,909</u>	<u>15,731,673</u>	<u>41,090,475</u>	<u>35,416,220</u>
Total liabilities	<u>23,174,385</u>	<u>22,174,307</u>	<u>23,382,985</u>	<u>21,909,248</u>	<u>46,557,370</u>	<u>44,083,555</u>
Deferred inflows of resources	<u>939,438</u>	<u>240,022</u>	<u>234,860</u>	<u>60,006</u>	<u>1,174,298</u>	<u>300,028</u>
Net position:						
Net investment in capital assets	6,897,558	8,050,928	43,224,556	43,928,445	50,122,114	51,979,373
Restricted	735,843	953,561	5,933,209	5,547,798	6,669,052	6,501,359
Unrestricted	<u>4,221,665</u>	<u>2,245,145</u>	<u>5,492,386</u>	<u>3,810,709</u>	<u>9,714,051</u>	<u>6,055,854</u>
Total net position	<u>\$ 11,855,066</u>	<u>\$ 11,249,634</u>	<u>\$ 54,650,151</u>	<u>\$ 53,286,952</u>	<u>\$ 66,505,217</u>	<u>\$ 64,536,586</u>

An additional portion of the City's net position, 1%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$9,714,051, may be used to meet the government's ongoing obligations to citizens and creditors.



The City's net position increased to \$66,505,217 during the current fiscal year, demonstrating the ability of the City's revenues to keep pace with annual expenses.

The following table summarizes the changes in net position for the City for the year ended September 30, 2018.

**CONDENSED SCHEDULE OF CHANGES IN NET POSITION**  
*For the Year Ended September 30, 2018*

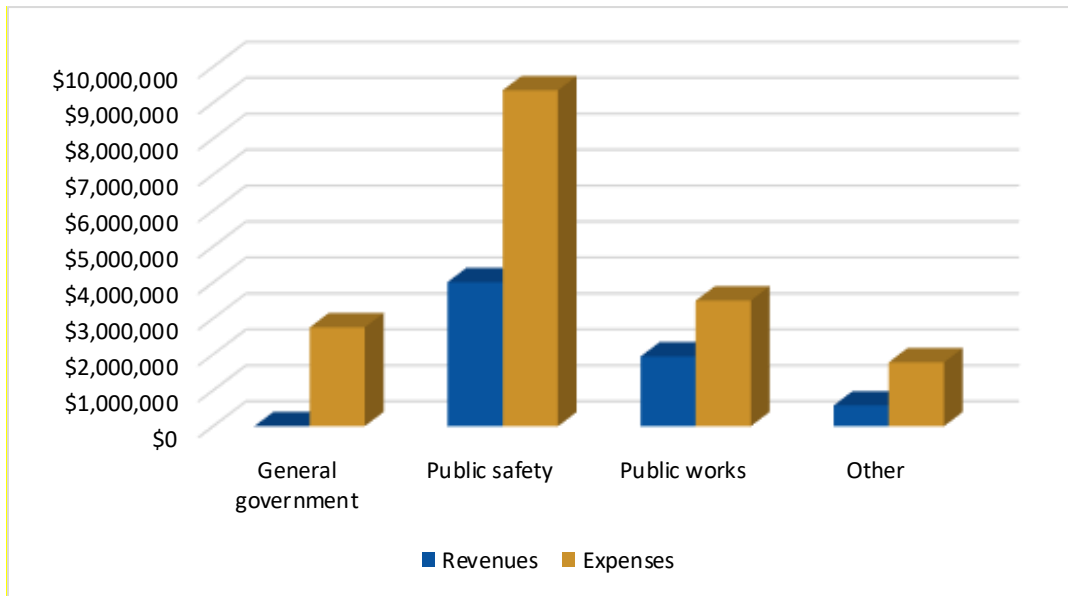
	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenue:						
Charges for services	\$ 4,989,507	\$ 4,717,880	\$ 10,693,220	\$ 12,090,753	\$ 15,682,727	\$ 16,808,633
Operating grants and contributions	1,539,114	2,477,246	-	-	1,539,114	2,477,246
Capital grants and contributions	124,581	-	-	-	124,581	-
General revenues:						
Property taxes	3,368,354	3,727,157	-	-	3,368,354	3,727,157
Sales and use taxes	5,005,098	4,522,169	-	-	5,005,098	4,522,169
Franchise taxes	759,287	800,274	-	-	759,287	800,274
Unrestricted investment earnings	7,084	13,298	10,352	15,363	17,436	28,661
Miscellaneous	338,460	303,627	-	-	338,460	303,627
Total revenues	<u>16,131,485</u>	<u>16,561,651</u>	<u>10,703,572</u>	<u>12,106,116</u>	<u>26,835,057</u>	<u>28,667,767</u>
Expenses:						
General government	2,752,167	2,067,723	-	-	2,752,167	2,067,723
Public safety	9,345,497	8,955,266	-	-	9,345,497	8,955,266
Public works	3,496,887	3,143,354	-	-	3,496,887	3,143,354
Parks and recreation	827,222	1,096,613	-	-	827,222	1,096,613
Community development	250,017	248,418	-	-	250,017	248,418
Interest on long-term debt	701,024	539,032	-	-	701,024	539,032
Water and sewer	-	-	6,830,537	5,710,394	6,830,537	5,710,394
Surface water	-	-	2,061,224	1,517,533	2,061,224	1,517,533
Total expenses	<u>17,372,814</u>	<u>16,050,406</u>	<u>8,891,761</u>	<u>7,227,927</u>	<u>26,264,575</u>	<u>23,278,333</u>
Increases in net assets before transfers	( 1,241,329)	511,245	1,811,811	4,878,189	570,482	5,389,434
Transfers	<u>2,081,109</u>	<u>2,070,000</u>	<u>( 2,081,109)</u>	<u>( 2,070,000)</u>	<u>-</u>	<u>-</u>
Change in net position	839,780	2,581,245	( 269,298)	2,808,189	570,482	5,389,434
Net position, beginning	<u>11,249,634</u>	<u>8,668,389</u>	<u>53,286,952</u>	<u>50,478,763</u>	<u>64,536,586</u>	<u>59,147,152</u>
Prior period adjustment	<u>( 234,348)</u>	<u>-</u>	<u>1,632,497</u>	<u>-</u>	<u>1,398,149</u>	<u>-</u>
Net position, ending	<u>\$ 11,855,066</u>	<u>\$ 11,249,634</u>	<u>\$ 54,650,151</u>	<u>\$ 53,286,952</u>	<u>\$ 66,505,217</u>	<u>\$ 64,536,586</u>

## Governmental Activities

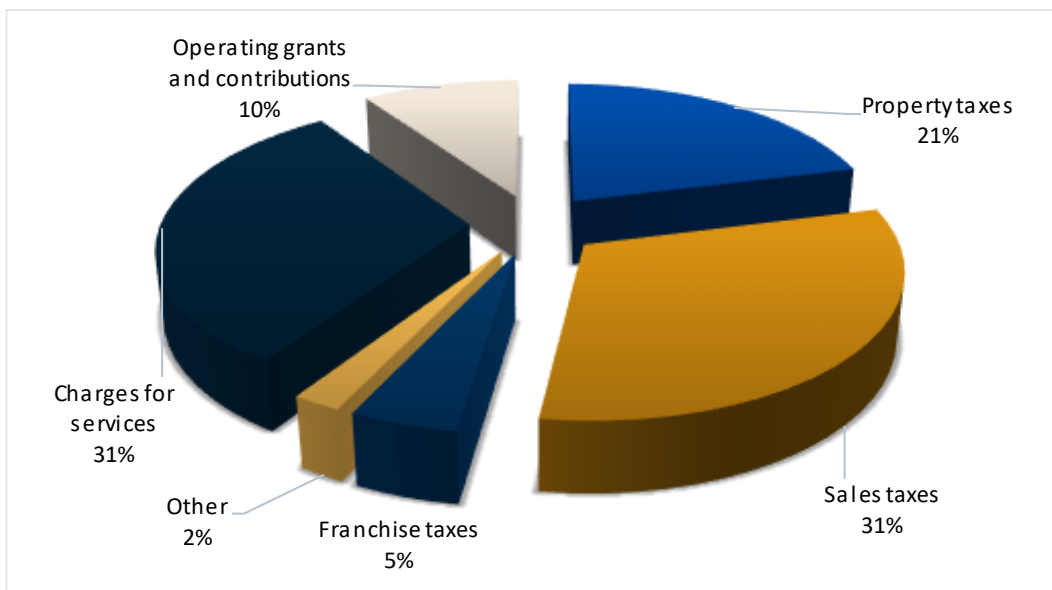
Governmental activities increased the City's net position by approximately \$839,780, or 7%, of beginning net position. The key elements of this increase are as follows:

- Transfers from the water & sewer fund (business-type activity) to reimburse the general fund (governmental activity) for indirect costs associated with the operations of the business-type activity which are funded through the general fund departments such as vehicle maintenance, information technology, public safety, etc.

A comparison of program expenses to program revenues follows:

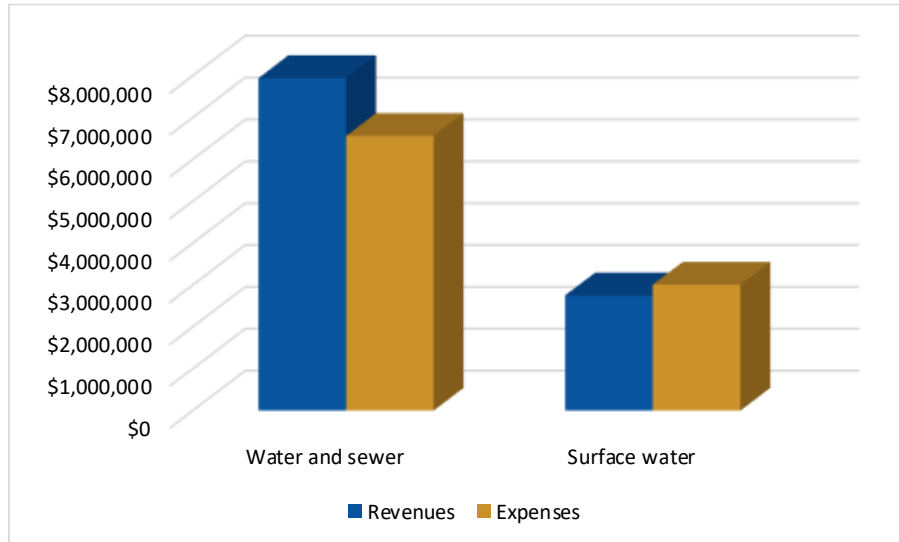


Revenue sources for governmental activities were distributed as follows:



## Business-type Activities

Business-type activities decreased the City's net position by \$269,298. Operating revenues (charges for services) of the business-type activities decreased by \$1,397,533, due to a decrease in impact fees collected. Impact fees are collected during the platting process. The revenues produced by impact fees may fluctuate with new development within the City. 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 \$12,325,003, a \$3,196,926 increase of from the prior year. Key elements of this increase are as follows:

- Proceeds from the issuance of bonds in the amount of \$3,405,000 to finance the construction of street & drainage improvements, fire station construction, and R.O.W. acquisition for Front Street widening project.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance was \$5,462,369. The General Fund fund balance increased by \$980,376 from fiscal year 2017. The key elements of this increase are as follows:

- Transfers from the water & sewer fund (business-type activity) to reimburse the general fund (governmental activity) for indirect costs associated with the operations of the business-type activity which are funded through the general fund departments such as vehicle maintenance, information technology, public safety, etc.

At the close of the current fiscal year, the City's capital projects fund reported a fund balance of \$5,648,233, an increase of \$2,342,254 from the prior year. The increase was due to the issuance of debt in the current year.

At the close of the current fiscal year, the City's debt service fund reported a decrease in fund balance of \$186,779. The decrease is mainly attributed to a decrease in the property tax rate for the current year causing a reduction in property tax revenue, and a planned use of excess fund balance reserve.

### **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 \$1,970,278, or 29% of annual operating and non-operating expenses for the fund.

The Surface Water Enterprise Fund had an unrestricted net position of \$3,522,108 or 192% 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 \$1,501,365 primarily as a result of an increase in sales and use taxes and charges for services and disaster related reimbursements from governmental sources. Appropriations exceeded expenditures, creating a positive variance to budget of \$351,405.

## Capital Asset and Debt Administration

### Capital Assets

At the end of fiscal year 2018, the City's governmental activities and business-type activities had invested \$21,179,439 and \$60,929,283, respectively, in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents an increase of \$381,646, or 2% over the end of last fiscal year for the governmental activities' capital assets and an increase of \$1,415,911 or 2% for the business-type activities.

The following table shows the balances at September 30, 2018 and 2017:

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	\$ 3,985,014	\$ 3,983,374	\$ 1,926,938	\$ 1,926,937	\$ 5,911,952	\$ 5,910,311
Construction in progress	414,450	1,294,248	19,586,627	23,240,122	20,001,077	24,534,370
Buildings and improvements	14,462,667	13,102,301	18,917,138	15,330,675		
Infrastructure	9,837,538	9,825,550	52,944,666	49,964,178	62,782,204	59,789,728
Machinery and equipment	8,814,221	7,892,150	1,483,079	1,311,360	10,297,300	9,203,510
Less accumulated depreciation	( 16,334,451)	( 15,299,828)	( 33,929,165)	( 32,259,900)	( 50,263,616)	( 47,559,728)
Total capital assets	\$ <u>21,179,439</u>	\$ <u>20,797,795</u>	\$ <u>60,929,283</u>	\$ <u>59,513,372</u>	\$ <u>82,108,722</u>	\$ <u>80,311,167</u>

Additional information on the City's capital assets can be found on pages 40-42 in the notes 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 \$37,640,000. This is an increase from the prior year of \$7,060,000, primarily due to new debt issuances. 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, 2017 and 2018, follows:

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Bonds payable						
General obligation bonds	\$ 9,615,000	\$ 10,485,000	\$ -	\$ -	\$ 9,615,000	\$ 10,485,000
Certificates of obligation	8,215,000	5,190,000	19,810,000	14,905,000	28,025,000	20,095,000
Bond issuance premiums/discounts	546,974	493,401	773,384	619,643	1,320,358	1,113,044
Compensated absences	<u>767,732</u>	<u>721,821</u>	<u>92,631</u>	<u>67,114</u>	<u>860,363</u>	<u>788,935</u>
Totals	\$ <u>19,144,706</u>	\$ <u>16,890,222</u>	\$ <u>20,676,015</u>	\$ <u>15,591,757</u>	\$ <u>39,820,721</u>	\$ <u>32,481,979</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 on pages 42-44 in the notes to the basic financial statements of this report.

## **Economic Factors**

The City continues to partner with neighboring Municipal Utility Districts (MUDs) in order to leverage sales tax collection in areas outside its Extra-territorial Jurisdiction (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 MUD 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.

The development of over 500 acres of prime ranch land along the City's Interstate 69 (I-69) corridor continues to fuel economic activity within the City's ETJ. The City continues to approach major land owners in order to strategically annex properties in order to increase its property tax base, and to assist the economic development along the City's major corridors.

Since the City 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 until 2020
- "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 Houston Metropolitan area to receive this award.

## **Next Year's Budget and Rates**

With exponential growth continuing, the City's department heads, division superintendents and various consultants remain cognizant of the pains associated with rapid growth, and the 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**

- 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 by creating a proactive plan, rather than a reactive approach.

Total taxable ad valorem values have seen modest growth with an increase of \$10,608,557, or 2% over last year, which represents a total taxable ad valorem value of \$519,753,143. New improvements amounted to \$1,742,281 in added value for fiscal year 2018. The City sustained minimal decreases in value due to Hurricane Harvey which amounted to only \$5,137 in lost property tax revenue. The City lowered its property tax rate for the sixth year in a row to \$0.6999 per \$100 value, reaching a major milestone by going below \$0.70 and brings the City's rate more comparable to other cities in our area, despite our disproportionately larger exempt property values.

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 2019 with a conservative increase of approximately 5%. We continue to remain extremely cautious of our fragile economic environment and are budgeting accordingly.

Average home values in the City, despite damages suffered from Hurricane Harvey, have increased from \$118,355 to \$124,234 for the fiscal year beginning October 1, 2018, which is a 5% increase from the prior fiscal year.

The City is in the process of finalizing a water, sewer rate study, and it is anticipated that adjustments to the rates will be necessary to facilitate the operations upon completion of the study. Preliminary increases to water rates and sewer rates in the amounts of 20% and 25% respectively have been included in the FY 2018-19 budget.

### **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, 2018**

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 11,725,350	\$ 15,180,663	\$ 26,906,013	\$ 5,642,810
Accounts receivable	1,464,316	1,827,608	3,291,924	238,412
Due from other governments	259,112	-	259,112	-
Prepaid expenses	13,873	3,580	17,453	-
Capital assets, not subject to depreciation:	4,399,464	21,513,565	25,913,029	-
Capital assets, net of depreciation:	<u>16,779,975</u>	<u>39,415,718</u>	<u>56,195,693</u>	<u>-</u>
Total capital assets	<u>21,179,439</u>	<u>60,929,283</u>	<u>82,108,722</u>	<u>-</u>
Total assets	<u>34,642,090</u>	<u>77,941,134</u>	<u>112,583,224</u>	<u>5,881,222</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	1,285,106	321,276	1,606,382	-
Deferred outflows related to OPEB	22,345	5,586	27,931	-
Deferred charge on refunding	<u>19,348</u>	<u>-</u>	<u>19,348</u>	<u>-</u>
Total deferred outflows of resources	<u>1,326,799</u>	<u>326,862</u>	<u>1,653,661</u>	<u>-</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	970,724	966,250	1,936,974	430,788
Deposits	-	963,143	963,143	-
Compensated Absences				
Unearned Revenue	2,000	-	-	-
Accrued interest payable	40,322	23,420	63,742	-
Noncurrent liabilities:				
Due within one year:				
Long-term debt	1,371,773	1,129,263	2,501,036	-
Due in more than one year:				
Long-term debt	17,772,933	19,546,752	37,319,685	-
Net pension liability	2,733,305	683,326	3,416,631	-
Total OPEB liability	<u>283,328</u>	<u>70,831</u>	<u>354,159</u>	<u>-</u>
Total liabilities	<u>23,174,385</u>	<u>23,382,985</u>	<u>46,557,370</u>	<u>430,788</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions	<u>939,438</u>	<u>234,860</u>	<u>1,174,298</u>	<u>-</u>
Total deferred inflows of resources	<u>939,438</u>	<u>234,860</u>	<u>1,174,298</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	6,897,558	43,224,556	50,122,114	-
Restricted for:				
Debt service	379,565	-	379,565	-
Community projects	9,616	-	9,616	5,450,434
Public safety	346,662		346,662	-
Capital projects	-	5,933,209	5,933,209	-
Unrestricted	<u>4,221,665</u>	<u>5,492,386</u>	<u>9,714,051</u>	<u>-</u>
Total net position	<u>\$ 11,855,066</u>	<u>\$ 54,650,151</u>	<u>\$ 66,505,217</u>	<u>\$ 5,450,434</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF RICHMOND, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

Function/Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government</b>				
Governmental activities:				
General government	\$ 2,752,167	\$ -	\$ -	\$ -
Public safety	9,345,497	2,723,782	1,284,584	-
Public works	3,496,887	1,941,754	-	124,581
Culture and recreation	827,222	323,971	-	-
Community development	250,017	-	-	-
Interest on long-term debt	701,024	-	254,530	-
Total governmental activities	<u>17,372,814</u>	<u>4,989,507</u>	<u>1,539,114</u>	<u>124,581</u>
Business-type activities:				
Water and sewer	6,830,537	7,942,673	-	-
Surface water	<u>2,061,224</u>	<u>2,750,547</u>	-	-
Total business-type activities	<u>8,891,761</u>	<u>10,693,220</u>	-	-
Total primary government	<u>\$ 26,264,575</u>	<u>\$ 15,682,727</u>	<u>\$ 1,539,114</u>	<u>\$ 124,581</u>
<b>Component Units</b>				
Development Corporation of Richmond	<u>1,602,694</u>	-	<u>72,473</u>	-
Total component units	<u>\$ 1,602,694</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

Prior period adjustment

Net position, ending

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenues and Changes in Net Position

Primary Government			Discretely Presented Component Units
Governmental Activities	Business-type Activities	Total	Governmental Activities
\$( 2,752,167)	\$ -	\$( 2,752,167)	\$ -
( 5,337,131)	-	( 5,337,131)	-
( 1,430,552)	-	( 1,430,552)	-
( 503,251)	-	( 503,251)	-
( 250,017)	-	( 250,017)	-
( 446,494)	-	( 446,494)	-
<u>( 10,719,612)</u>	<u>-</u>	<u>( 10,719,612)</u>	<u>-</u>
-	1,112,136	1,112,136	-
<u>-</u>	<u>689,323</u>	<u>689,323</u>	<u>-</u>
<u>-</u>	<u>1,801,459</u>	<u>1,801,459</u>	<u>-</u>
<u>\$( 10,719,612)</u>	<u>\$ 1,801,459</u>	<u>\$( 8,918,153)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>( 1,530,221)</u>
			<u>\$( 1,530,221)</u>
3,368,354	-	3,368,354	-
5,005,098	-	5,005,098	1,518,169
759,287	-	759,287	-
7,084	10,352	17,436	3,142
338,460	-	338,460	6,000
<u>2,081,109</u>	<u>( 2,081,109)</u>	<u>-</u>	<u>-</u>
<u>11,559,392</u>	<u>( 2,070,757)</u>	<u>9,488,635</u>	<u>1,527,311</u>
839,780	( 269,298)	570,482	( 2,910)
<u>11,249,634</u>	<u>53,286,952</u>	<u>64,536,586</u>	<u>5,453,344</u>
<u>( 234,348)</u>	<u>1,632,497</u>	<u>1,398,149</u>	<u>-</u>
<u>\$ 11,855,066</u>	<u>\$ 54,650,151</u>	<u>\$ 66,505,217</u>	<u>\$ 5,450,434</u>

**CITY OF RICHMOND, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2018**

	General Fund	Capital Projects	Debt Service	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 5,294,582	\$ 5,692,870	\$ 312,234	\$ 425,664	\$ 11,725,350
Taxes receivable, net	964,814	-	121,191	-	1,086,005
Other receivables	377,285	1,026	-	-	378,311
Due from other governments	259,112	-	-	-	259,112
Due from other funds	68,886	-	-	-	68,886
Prepaid items	13,873	-	-	-	13,873
	<u>6,978,552</u>	<u>5,693,896</u>	<u>433,425</u>	<u>425,664</u>	<u>13,531,537</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	924,561	45,663	-	500	970,724
Due to other funds	-	-	-	68,886	68,886
Unearned revenue	2,000	-	-	-	2,000
Total liabilities	<u>926,561</u>	<u>45,663</u>	<u>-</u>	<u>69,386</u>	<u>1,041,610</u>
Deferred Inflows of Resources					
Unavailable revenues - property taxes	117,742	-	47,182	-	164,924
Total deferred inflows of resources	<u>117,742</u>	<u>-</u>	<u>47,182</u>	<u>-</u>	<u>164,924</u>
Fund balances:					
Nonspendable	13,873	-	-	-	13,873
Restricted:					
Debt service	-	-	386,243	-	386,243
Capital projects	-	5,648,233	-	-	5,648,233
Public safety	-	-	-	346,662	346,662
Community projects	-	-	-	9,616	9,616
Assigned - Subsequent year's appropriation of fund balance	458,007	-	-	-	458,007
Unassigned	5,462,369	-	-	-	5,462,369
Total fund balances	<u>5,934,249</u>	<u>5,648,233</u>	<u>386,243</u>	<u>356,278</u>	<u>12,325,003</u>
Total liabilities, Deferred inflows of resources, and fund balances	<u>\$ 6,978,552</u>	<u>\$ 5,693,896</u>	<u>\$ 433,425</u>	<u>\$ 425,664</u>	<u>\$ 13,531,537</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF RICHMOND, TEXAS**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2018**

Total fund balance, governmental funds \$ 12,325,003

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. 21,179,439

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	164,924
Deferred gain/loss of refunding	19,348

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	( 17,830,000)
Premium/discount on bonds payable	( 767,732)
Accrued long-term interest	( 40,322)
Compensated absences	( 546,974)

Net Pension Liability and related deferred outflows and inflows of resources do 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 related to pensions	( 2,733,305)
Deferred outflows related to OPEB	22,345
Net Pension Liability	1,285,106
Total OPEB Liability	( 283,328)
Deferred inflows related to pensions	<u>( 939,438)</u>

Net position of governmental activities in the statement of net position \$ 11,855,066

**CITY OF RICHMOND, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	General Fund	Capital Projects	Debt Service	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes:					
Property taxes	\$ 2,907,049	\$ -	\$ 747,930	\$ -	\$ 3,654,979
Sales and use taxes	5,005,098	-	-	-	5,005,098
Franchise taxes	759,287	-	-	-	759,287
Fines and forfeitures	367,193	-	-	10,187	377,380
License and permits	313,921	-	-	-	313,921
Intergovernmental	1,280,432	-	254,530	128,733	1,663,695
Charges for services	4,298,206	-	-	-	4,298,206
Investment earnings	3,937	2,507	587	53	7,084
Miscellaneous	40,139	133,227	-	165,094	338,460
Total revenues	<u>14,975,262</u>	<u>135,734</u>	<u>1,003,047</u>	<u>304,067</u>	<u>16,418,110</u>
<b>EXPENDITURES</b>					
Current:					
General government	2,663,234	-	-	-	2,663,234
Public safety	8,534,828	-	-	73,681	8,608,509
Public works	3,370,154	-	-	1,401	3,371,555
Culture and recreation	730,201	-	-	-	730,201
Community development	250,614	-	-	-	250,614
Capital outlay	308,375	822,982	-	51,503	1,182,860
Debt service:					
Principal	-	-	1,250,000	-	1,250,000
Interest and other charges	-	112,007	640,306	-	752,313
Total expenditures	<u>15,857,406</u>	<u>934,989</u>	<u>1,890,306</u>	<u>126,585</u>	<u>18,809,286</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 882,144)</u>	<u>( 799,255)</u>	<u>( 887,259)</u>	<u>177,482</u>	<u>( 2,391,176)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of bonds	-	3,405,000	-	-	3,405,000
Premium on bonds	-	101,993	-	-	101,993
Transfers in	1,862,520	1,465,342	700,480	-	4,028,342
Transfers out	-	( 1,830,826)	-	( 116,407)	( 1,947,233)
Total other financing sources (uses)	<u>1,862,520</u>	<u>3,141,509</u>	<u>700,480</u>	<u>( 116,407)</u>	<u>5,588,102</u>
<b>NET CHANGE IN FUND BALANCES</b>	980,376	2,342,254	( 186,779)	61,075	3,196,926
<b>FUND BALANCES, BEGINNING</b>	<u>4,953,873</u>	<u>3,305,979</u>	<u>573,022</u>	<u>295,203</u>	<u>9,128,077</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 5,934,249</u>	<u>\$ 5,648,233</u>	<u>\$ 386,243</u>	<u>\$ 356,278</u>	<u>\$ 12,325,003</u>



**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 FISCAL YEAR ENDED SEPTEMBER 30, 2018**

Net change in fund balances - total governmental funds:	\$	3,196,926
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
<p>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.</p>		
This is the amount by which capital outlay exceeded depreciation in the current period.		288,662
<p>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.</p>		
	(	286,625)
<p>Governmental fund 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.</p>		
		1,250,000
<p>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 the Statement of Net Position. The net change for each represents an increase/(decrease) in net position.</p>		
Bond premiums/discounts		48,420
Amortization of deferred charge on refunding	(	3,225)
<p>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:</p>		
Changes in accrued interest		6,094
Changes in accrued compensated absences	(	45,911)
<p>Issuance of long-term debt is an other financing source in the governmental funds but is classified as a liability on the Statement of Net Position:</p>		
	(	3,506,993)
<p>Pension expense does not represent a use of current resources and is not recognized in the fund financial statements.</p>		
	(	80,933)
<p>OPEB expense does not represent a use of current resources and is not recognized in the fund financial statements.</p>		
	(	<u>26,635)</u>
Change in net position of governmental activities	\$	<u><u>839,780</u></u>

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**CITY OF RICHMOND, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2018**

	Business-Type Activities		
	Water and Wastewater	Surface Water	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 8,652,672	\$ 6,527,991	\$ 15,180,663
Accounts receivable, net	1,548,868	278,740	1,827,608
Prepaid expenses	3,580	-	3,580
Total current assets	<u>10,205,120</u>	<u>6,806,731</u>	<u>17,011,851</u>
Non-current assets:			
Capital assets			
Land and improvements	1,801,715	125,223	1,926,938
Construction in progress	210,859	19,375,768	19,586,627
Infrastructure	49,785,220	3,159,446	52,944,666
Buildings	10,098,586	3,517,653	13,616,239
Improvement other than buildings	4,665,494	635,405	5,300,899
Equipment and furniture	1,460,912	22,167	1,483,079
Less accumulated depreciation	( 33,831,490)	( 97,675)	( 33,929,165)
Total non-current assets	<u>34,191,296</u>	<u>26,737,987</u>	<u>60,929,283</u>
Total assets	<u>44,396,416</u>	<u>33,544,718</u>	<u>77,941,134</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	321,276	-	321,276
Deferred outflows related to OPEB	5,586	-	5,586
Total deferred outflows of resources	<u>326,862</u>	<u>-</u>	<u>326,862</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	576,907	389,343	966,250
Deposits	963,143	-	963,143
Accrued interest payable	6,797	16,623	23,420
Compensated absences	9,263	-	9,263
Bonds, notes and loans payable	-	1,120,000	1,120,000
Total current liabilities	<u>1,556,110</u>	<u>1,525,966</u>	<u>3,082,076</u>
Non-current liabilities:			
Compensated absences	83,368	-	83,368
Bonds, notes and loans payable	-	19,463,384	19,463,384
Net pension liability	683,326	-	683,326
Total OPEB liability	<u>70,831</u>	<u>-</u>	<u>70,831</u>
Total non-current liabilities	<u>837,525</u>	<u>19,463,384</u>	<u>20,300,909</u>
Total liabilities	<u>2,393,635</u>	<u>20,989,350</u>	<u>23,382,985</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	234,860	-	234,860
<b>NET POSITION</b>			
Net investment in capital assets	34,191,296	9,033,260	43,224,556
Restricted for capital projects	5,933,209	-	5,933,209
Unrestricted	<u>1,970,278</u>	<u>3,522,108</u>	<u>5,492,386</u>
Total net position	<u>\$ 42,094,783</u>	<u>\$ 12,555,368</u>	<u>\$ 54,650,151</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF RICHMOND, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Business-Type Activities		
	Water and Wastewater	Surface Water	Total
<b>OPERATING REVENUES</b>			
Charges for services	7,942,673	2,750,547	10,693,220
Total operating revenues	<u>7,942,673</u>	<u>2,750,547</u>	<u>10,693,220</u>
<b>OPERATING EXPENSES</b>			
Personnel services	1,650,269	181,354	1,831,623
Supplies	38,770	-	38,770
Contracted services	221,124	-	221,124
Other	3,283,670	1,274,706	4,558,376
Depreciation	1,636,704	32,558	1,669,262
Total operating expenses	<u>6,830,537</u>	<u>1,488,618</u>	<u>8,319,155</u>
<b>OPERATING INCOME</b>	<u>1,112,136</u>	<u>1,261,929</u>	<u>2,374,065</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest and investment revenue	6,355	3,997	10,352
Interest expense	-	( 572,606)	( 572,606)
Total non-operating revenues (expenses)	<u>6,355</u>	<u>( 568,609)</u>	<u>( 562,254)</u>
<b>INCOME BEFORE TRANSFERS</b>	1,118,491	693,320	1,811,811
Transfers in	556,588	-	556,588
Transfers out	( 2,637,697)	-	( 2,637,697)
<b>CHANGE IN NET POSITION</b>	( 962,618)	693,320	( 269,298)
<b>NET POSITION, BEGINNING</b>	<u>41,424,904</u>	<u>11,862,048</u>	<u>53,286,952</u>
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>1,632,497</u>	-	<u>1,632,497</u>
<b>NET POSITION, ENDING</b>	<u>\$ 42,094,783</u>	<u>\$ 12,555,368</u>	<u>\$ 54,650,151</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF RICHMOND, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Business-Type Activities		
	Sewer	Surface Water	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 8,128,386	\$ 2,734,511	\$ 10,862,897
Payments to employees for salaries and benefits	( 3,298,371)	( 181,354)	( 3,479,725)
Payments to suppliers and service providers	( 1,597,860)	( 3,346,522)	( 4,944,382)
Net cash provided by (used for) operating activities	<u>3,232,155</u>	<u>( 793,365)</u>	<u>2,438,790</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	556,588	-	556,588
Transfers to other funds	( 2,637,697)	-	( 2,637,697)
Net cash used for noncapital financing activities	<u>( 2,081,109)</u>	<u>-</u>	<u>( 2,081,109)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from capital related debt	-	5,955,000	5,955,000
Principal paid on capital debt	-	( 785,000)	( 785,000)
Interest paid on capital debt	-	( 683,865)	( 683,865)
Acquisition and construction of capital assets	( 909,639)	( 2,175,534)	( 3,085,173)
Cash flows provided by (used for) capital and related financing activities	<u>( 909,639)</u>	<u>2,310,601</u>	<u>1,400,962</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	<u>6,355</u>	<u>3,997</u>	<u>10,352</u>
Net cash provided by investing activities	<u>6,355</u>	<u>3,997</u>	<u>10,352</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	247,762	1,521,233	1,768,995
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>8,404,910</u>	<u>5,006,758</u>	<u>13,411,668</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 8,652,672</u>	<u>\$ 6,527,991</u>	<u>\$ 15,180,663</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 1,112,136	\$ 1,261,929	\$ 2,374,065
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,636,704	32,558	1,669,262
(Increase) decrease in accounts receivable	31,383	( 16,036)	15,347
Decrease in prepaid expenses	( 326)	-	( 326)
Decrease in deferred outflows of resources relating to pensions	163,681	-	163,681
Decrease in deferred outflows of resources relating to OPEB	( 5,586)	-	( 5,586)
Increase (decrease) in accounts payable	245,519	-	245,519
Increase in customer deposits	154,330	-	154,330
Increase in accrued compensated absences	25,517	( 2,071,816)	( 2,046,299)
Increase in net pension liability	( 318,301)	-	( 318,301)
Increase in total OPEB liability	12,244	-	12,244
(Decrease) in deferred inflows of resources relating to pensions	<u>174,854</u>	<u>-</u>	<u>174,854</u>
Net cash provided by operating activities	<u>\$ 3,232,155</u>	<u>\$( 793,365)</u>	<u>\$ 2,438,790</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF RICHMOND, TEXAS**

**DISCRETELY PRESENTED COMPONENT UNITS  
COMBINING STATEMENT OF NET POSITION**

**SEPTEMBER 30, 2018**

	Discretely Presented Component Units		
	Development Corporation of Richmond	Richmond Higher Education Finance Corporation	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,641,815	\$ 995	\$ 5,642,810
Taxes receivable, net	238,412	-	238,412
Total assets	5,880,227	995	5,881,222
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	430,788	-	430,788
Total liabilities	430,788	-	430,788
<b>NET POSITION</b>			
Restricted for:			
Community projects	5,449,439	995	5,450,434
Total net position	\$ 5,449,439	\$ 995	\$ 5,450,434

The accompanying notes are an integral part of these financial statements.

**CITY OF RICHMOND, TEXAS**

**DISCRETELY PRESENTED COMPONENT UNITS  
COMBINING STATEMENT OF ACTIVITIES**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Discretely Presented Component Units		
	Development Corporation of Richmond	Richmond Higher Education Finance Corporation	Total
<b>GENERAL REVENUES</b>			
Taxes:			
Sales and use taxes	\$ 1,518,169	\$ -	\$ 1,518,169
Unrestricted investment earnings	3,142	-	3,142
Intergovernmental	72,473	-	72,473
Other	6,000	-	6,000
Total general revenues and transfers	1,599,784	-	1,599,784
<b>EXPENSES</b>			
Economic development	1,349,906	-	1,349,906
Intergovernmental	252,788	-	252,788
Total expenses	1,602,694	-	1,602,694
<b>CHANGE IN NET POSITION</b>	( 2,910)	-	( 2,910)
<b>NET POSITION, BEGINNING</b>	5,452,349	995	5,453,344
<b>NET POSITION, ENDING</b>	\$ 5,449,439	\$ 995	\$ 5,450,434

The accompanying notes are an integral part of these financial statements.

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# CITY OF RICHMOND, TEXAS

## NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided between the government's water and sewer fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues for the various functions concerned.

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, 2018, 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, 2018, 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, parks and recreation and community development.

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.

The *Debt Service Fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements; however interfund services that are provided and used are not eliminated in the process of consolidation.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance**

1. Cash, Cash Equivalents, and Investments

Investments for the City are reported at fair value, except for the position in investment pools. The City's investment in pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. City did not have any of the investments mentioned above in the current year.

The City maintains a cash pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined financial statements as cash and cash equivalents. The City's cash and cash equivalents can be readily converted to cash at their carrying value.

For purposes of the statement of cash flows, the City considers cash and other investments with maturities of three months or less from the date of purchase to be cash and cash equivalents. The City did not have any investments as defined above in the current year.

2. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

### 3. 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 acquisition cost, which is the price that would have been paid to acquire an asset with equivalent service potential on the date of acquisition.

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

### 4. 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.

### 5. Long-term Obligations

In the government-wide financial statements, and the proprietary fund financial statements, long-term debt is reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds if material in amount. In the governmental fund financial statements, bond premiums and discounts are recognized during the current period. The face amount of debt recorded as other financing sources. Bond premiums and discounts are recorded as other financing sources and uses.

6. Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from/to other funds” and “advances to/from other funds” on the fund financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

7. Interfund Services Provided and Used

Interfund services provided and used are sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are recognized as revenues and expenditures (or expenses) in the funds involved just as they would be recognized if the transactions involved organizations outside the governmental unit.

8. 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.

9. Post-Employment Benefits Other Than Pensions (OPEB)

*Supplemental Death Benefit.* For purposes of measuring the total Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF) OPEB liability, related deferred outflows and inflows of resources, and expense, City specific information about its total TMRS SDBF liability and additions to/deductions from the City’s total TMRS SDBF liability have been determined on the same basis as they are reported by TMRS. The TMRS SDBF expense and deferred (inflows)/outflows of resources related to TMRS SDBF, primarily result from changes in the components of the total TMRS SDBF liability. Most changes in the total TMRS SDBF liability will be included in TMRS SDBF expense in the period of the change. For example, changes in the total TMRS SDBF liability resulting from current-period service cost, interest on the TOL, and changes of benefit terms are required to be included in TMRS SDBF expense immediately. Changes in the total TMRS SDBF liability that have not been included in TMRS SDBF expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to TMRS SDBF

## 10. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet 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 that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Deferred charges on refunding – A 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.
- Pension and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Changes in actuarial assumptions and other inputs – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of financial position and/or balance sheet 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 that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has the following types of items that qualify for reporting in this category.

- Unavailable revenue is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.
- Difference in expected and actual pension and experience - This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions and other inputs – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.



### 11. Net Position Flow Assumption

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

### 12. Fund Balance Flow Assumption

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

### 13. Fund Balance Policies

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

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

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

14. 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.

15. 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.

16. 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.

## II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

### A. 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 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.

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 Government</u>	<u>Component Units</u>
Cash deposits	\$ <u>26,906,013</u>	\$ <u>5,642,810</u>

At September 30, 2018, 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.

*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 Collateralization 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%

## **B. Receivables**

Amounts recorded as receivables as of September 30, 2018, for the government's individual major and nonmajor funds, including the applicable allowance for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Water and Sewer</u>	<u>Surface Water</u>	<u>Discretely Presented Component Units</u>	<u>Total</u>
Receivables:							
Sales and use taxes	\$ 718,481	\$ -	\$ -	\$ -	\$ -	\$ 238,412	\$ 956,893
Property taxes	232,173	-	147,380	-	-	-	379,553
Franchise taxes	86,389	-	-	-	-	-	86,389
Customer accounts	336,296	-	-	1,819,308	278,740	-	2,434,344
Other	40,989	1,026	-	-	-	-	42,015
Gross receivables	1,414,328	1,026	147,380	1,819,308	278,740	238,412	3,899,194
Less: allowance for uncollectibles	( 72,229)	-	( 26,189)	( 270,440)	-	-	( 368,858)
Net total receivables	<u>\$ 1,342,099</u>	<u>\$ 1,026</u>	<u>\$ 121,191</u>	<u>\$ 1,548,868</u>	<u>\$ 278,740</u>	<u>\$ 238,412</u>	<u>\$ 3,530,336</u>

## C. Capital Assets

A summary of activity for governmental activities capital assets for the year ended September 30, 2018, follows:

	Balance 9/30/2017	Additions	Deletions	Balance 9/30/2018
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 3,983,374	\$ 1,640	\$ -	\$ 3,985,014
Construction in progress	<u>1,387,230</u>	<u>333,419</u>	<u>( 1,406,199)</u>	<u>314,450</u>
Total capital assets, not being depreciated	<u>5,370,604</u>	<u>335,059</u>	<u>( 1,406,199)</u>	<u>4,299,464</u>
Capital assets being depreciated:				
Buildings	9,708,771	19,617	-	9,728,388
Improvements other than buildings	3,393,530	1,340,749	-	4,734,279
Infrastructure	9,825,550	111,988	-	9,937,538
Machinery and equipment	<u>7,892,150</u>	<u>922,071</u>	<u>-</u>	<u>8,814,221</u>
Total capital assets being depreciated	<u>30,820,001</u>	<u>2,394,425</u>	<u>-</u>	<u>33,214,426</u>
Less accumulated depreciation for:				
Buildings	( 1,594,094)	( 122,528)	-	( 1,716,622)
Improvements other than buildings	( 1,218,536)	( 59,452)	-	( 1,277,988)
Infrastructure	( 7,039,543)	( 272,306)	-	( 7,311,849)
Machinery and equipment	<u>( 5,447,655)</u>	<u>( 580,337)</u>	<u>-</u>	<u>( 6,027,992)</u>
Total accumulated depreciation	<u>( 15,299,828)</u>	<u>( 1,034,623)</u>	<u>-</u>	<u>( 16,334,451)</u>
Total capital assets being depreciated, net	<u>15,520,173</u>	<u>1,359,802</u>	<u>-</u>	<u>16,879,975</u>
Governmental activities capital assets, net	<u>\$ 20,890,777</u>	<u>\$ 1,694,861</u>	<u>\$( 1,406,199)</u>	<u>\$ 21,179,439</u>

A summary of activity for business-type activities capital assets for the year ended September 30, 2018, follows:

	Balance 9/30/2017	Additions	Deletions	Balance 9/30/2018
<b>Business-Type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 1,926,937	\$ -	\$ -	\$ 1,926,937
Construction in progress	<u>23,240,122</u>	<u>2,142,599</u>	<u>( 5,796,093)</u>	<u>19,586,628</u>
Total capital assets, not being depreciated	<u>25,167,059</u>	<u>2,142,599</u>	<u>( 5,796,093)</u>	<u>21,513,565</u>
Capital assets being depreciated:				
Buildings	11,098,002	2,518,237	-	13,616,239
Improvements other than buildings	4,232,673	1,068,225	-	5,300,898
Infrastructure	49,964,178	2,980,487	-	52,944,665
Machinery and equipment	<u>1,311,360</u>	<u>171,718</u>	<u>-</u>	<u>1,483,078</u>
Total capital assets being depreciated	<u>66,606,213</u>	<u>6,738,667</u>	<u>-</u>	<u>73,344,880</u>
Less accumulated depreciation for:				
Buildings	( 4,659,863)	( 175,752)	-	( 4,835,615)
Improvements other than buildings	( 1,796,034)	( 262,538)	-	( 2,058,572)
Infrastructure	( 24,642,782)	( 1,175,855)	-	( 25,818,637)
Machinery and equipment	<u>( 1,161,221)</u>	<u>( 55,117)</u>	<u>-</u>	<u>( 1,216,338)</u>
Total accumulated depreciation	<u>( 32,259,900)</u>	<u>( 1,669,262)</u>	<u>-</u>	<u>( 33,929,162)</u>
Total capital assets being depreciated, net	<u>34,346,313</u>	<u>5,069,405</u>	<u>-</u>	<u>39,415,718</u>
Business-type activities				
Capital assets, net	<u>\$ 59,513,372</u>	<u>\$ 7,212,004</u>	<u>\$ ( 5,796,093)</u>	<u>\$ 60,929,283</u>

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

<b>Governmental Activities</b>	
General government	\$ 108,177
Public safety	660,557
Public works	165,792
Parks and recreation	<u>100,097</u>
	<u>\$ 1,034,623</u>
<b>Business-Type Activities</b>	
Water and sewer	\$ 1,636,704
Surface water	<u>32,558</u>
	<u>\$ 1,669,262</u>

Construction in progress for the various projects and remaining commitments under these construction contracts at September 30, 2018, are as follows:

	<u>Authorized Commitment</u>	<u>Total in Progress</u>	<u>Remaining Commitment</u>
<b>Governmental Activities</b>			
Fire Station #2	\$ 1,000,000	\$ 115,680	\$ 884,320
Wayside Horn Project Phase II	700,000	-	700,000
Rabbs Bayou Master Drainage Plan	450,000	46,123	403,877
Drainage Master Plan	49,500	44,550	4,950
Wessendorff Park Water Feature	221,000	207,412	13,588
Fueling Station	220,000	21,000	199,000
George Park Restrooms	165,000	8,413	156,587
	<u>\$ 2,199,500</u>	<u>\$ 443,178</u>	<u>\$ 1,756,322</u>
<b>Business-Type Activities</b>			
Elevated Storage Tank #4	\$ 900,000	\$ 170,600	\$ 729,400
Ransom Rd Storage Tank Rehab	300,000	25,784	274,216
Motor Control Rehabilitation	180,000	11,600	168,400
Edgewood 6" Water Line	150,000	2,875	147,125
Surface Water Treatment Plant	25,000,000	19,375,769	5,624,231
	<u>\$ 26,530,000</u>	<u>\$ 19,586,628</u>	<u>\$ 6,943,372</u>

**D. 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, 2018, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Bonds payable:					
General obligation bonds	\$ 10,485,000	\$ -	\$( 870,000)	\$ 9,615,000	\$ 895,000
Certificates of obligation	5,190,000	3,405,000	( 380,000)	8,215,000	400,000
Bond issuance premiums/discounts	493,401	101,993	( 48,420)	546,974	-
Compensated absences	<u>721,821</u>	<u>224,347</u>	<u>( 178,436)</u>	<u>767,732</u>	<u>76,773</u>
Governmental activities long-term liabilities	<u>\$ 16,890,222</u>	<u>\$ 3,731,340</u>	<u>\$( 1,476,856)</u>	<u>\$ 19,144,706</u>	<u>\$ 1,371,773</u>
<b>Business-Type Activities:</b>					
Bonds payable:					
Certificates of obligation	\$ 14,905,000	\$ 5,955,000	\$( 1,050,000)	\$ 19,810,000	\$ 1,120,000
Bond issuance premiums/discounts	619,643	193,769	( 40,028)	773,384	-
Compensated absences	<u>67,114</u>	<u>57,174</u>	<u>( 31,657)</u>	<u>92,631</u>	<u>9,263</u>
Business-type activities long-term liabilities	<u>\$ 15,591,757</u>	<u>\$ 6,205,943</u>	<u>\$( 1,121,685)</u>	<u>\$ 20,676,015</u>	<u>\$ 1,129,263</u>

The following is a summary of the terms of obligations of general obligation bonds and certificates of obligation outstanding as of September 30, 2018:

**Governmental Activities:**

Series	Interest Rate	Original Issue	Maturity Date	Debt Outstanding
<b>General Obligation Bonds</b>				
Series 2009 general obligation bonds	3.00-4.25%	\$ 4,000,000	2029	\$ 3,130,000
Series 2010 general obligation and refunding bonds	2.00-4.00%	5,040,000	2020	940,000
Series 2013 general obligation and refunding bonds	3.00-4.25%	6,620,000	2038	<u>5,545,000</u>
				<u>9,615,000</u>
<b>Certificates of Obligation</b>				
Series 2013 combination tax and revenue certificates of obligation	2.00-4.13%	2,265,000	2038	1,955,000
Series 2016B combination tax and revenue certificates of obligation	3.00%	3,375,000	2035	2,965,000
Series 2017B combination tax and revenue certificates of obligation	3.00%	3,405,000	2037	<u>3,295,000</u>
				<u>8,215,000</u>
Total Governmental Activities				<u>\$ 17,830,000</u>

**Business-Type Activities:**

Series	Interest Rate	Original Issue	Maturity Date	Debt Outstanding
<b>Certificates of Obligation:</b>				
Series 2015 combination tax and revenue certificates of obligation	3.00-4.00%	9,705,000	2045	\$ 9,105,000
Series 2016A combination tax and revenue certificates of obligation	3.00%	6,025,000	2034	4,945,000
Series 2017A combination tax and revenue certificates of obligation	3.00%-3.20%	5,955,000	2037	<u>5,760,000</u>
Total Business-Type Activities				<u>\$ 19,810,000</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
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	685,000	253,835	938,835
2024-2028	2,540,000	932,022	3,472,022
2029-2033	1,610,000	498,232	2,108,232
2034-2038	1,295,000	177,228	1,472,228
2039-2043	360,000	-	360,000
	<u>\$ 9,615,000</u>	<u>\$ 3,126,956</u>	<u>\$ 12,741,956</u>

Year Ending September 30,	Governmental Activities			Business-Type Activities		
	Certificates of Obligation			Certificates of Obligation		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 400,000	\$ 258,625	\$ 658,625	\$ 1,120,000	\$ 630,533	\$ 1,750,533
2020	415,000	246,900	661,900	1,150,000	596,483	1,746,483
2021	420,000	234,725	654,725	1,180,000	561,533	1,741,533
2022	430,000	221,963	651,963	1,225,000	525,458	1,750,458
2023	440,000	208,538	648,538	1,255,000	488,258	1,743,258
2024-2028	2,160,000	830,634	2,990,634	3,355,000	2,100,338	5,455,338
2029-2033	2,160,000	488,019	2,648,019	3,810,000	1,556,156	5,366,156
2034-2038	1,790,000	130,453	1,920,453	3,450,000	934,828	4,384,828
2039-2043	-	-	-	2,240,000	436,000	2,676,000
2044-2048	-	-	-	1,025,000	41,300	1,066,300
	<u>\$ 8,215,000</u>	<u>\$ 2,619,857</u>	<u>\$ 10,834,857</u>	<u>\$ 19,810,000</u>	<u>\$ 7,870,887</u>	<u>\$ 27,680,887</u>

### 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.

## E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

For the year ended September 30, 2018, interfund balances consisted of:

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

For the year ended September 30, 2018, interfund transfers consisted of:

	<u>Transfers In</u>	<u>Transfers Out</u>
Primary government		
Governmental activities:		
General fund	\$ 1,862,520	\$ -
Capital projects	1,465,342	1,830,826
Debt service	700,480	-
Non-major governmental	<u>-</u>	<u>116,407</u>
Total governmental funds	<u>4,028,342</u>	<u>1,947,233</u>
Business-type activities:		
Water and sewer fund	<u>556,588</u>	<u>2,637,697</u>
Total business-type activities	<u>556,588</u>	<u>2,637,697</u>
Total primary government	<u>\$ 4,584,930</u>	<u>\$ 4,584,930</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.

## F. Defined Benefit Pension Plan

**Plan Descriptions.** The City participates as one of 883 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 agency 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 Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.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.

The City grants monetary credits for service rendered of a theoretical amount equal to two times what would have been contributed by the employee, with interest. Monetary credits, also known as the matching ratio, are 200% of the employee’s accumulated contributions and are only payable in the form of an annuity.

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, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	72
Inactive employees entitled to but not yet receiving benefits	97
Active employees	<u>149</u>
Total	<u><u>318</u></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 2018, the City made contributions of 14.08% for the months in 2017 and 14.48% for the months in 2018.

**Net Pension Liability.** The City's Net Pension Liability (NPL) was measured as of December 31, 2017, 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.

### **Actuarial Assumptions**

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% 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 Tables with Blue Collar Adjustment, 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 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The 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. 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return 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%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
Total	100.0%	

**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)	(c)
Balance at 12/31/2016	\$ 39,038,652	\$ 34,030,518	\$ 5,008,134
Changes for the year:			
Service cost	1,503,114	-	1,503,114
Interest	2,637,325	-	2,637,325
Difference between expected and actual experience	765,789	-	765,789
Contributions - employer	-	1,201,284	( 1,201,284)
Contributions - employee	-	603,660	( 603,660)
Net investment income	-	4,718,469	( 4,718,469)
Benefit payments, including refunds of employee contributions	( 1,437,457)	( 1,437,457)	-
Administrative expense	-	( 24,443)	24,443
Other changes	-	( 1,239)	1,239
Net changes	<u>3,468,771</u>	<u>5,060,274</u>	<u>( 1,591,503)</u>
Balance at 12/31/2017	<u>\$ 42,507,423</u>	<u>\$ 39,090,792</u>	<u>\$ 3,416,631</u>

## 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	\$ 10,099,919	\$ 3,416,631	\$( 1,983,271)

## 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.tmrs.com](http://www.tmrs.com).

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

For the year ended September 30, 2018, the City recognized pension expense of \$1,357,345.

At September 30, 2018, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences in expected and actual experience	\$ 679,760	\$ 128,184
Changes in actuarial assumptions used	-	47,409
Differences in projected and actual investment earnings	-	998,705
Contributions subsequent to the measurement date	<u>926,622</u>	<u>-</u>
Total	<u>\$ 1,606,382</u>	<u>\$ 1,174,298</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$926,622 will be recognized as a reduction of the net pension liability for the measurement year ending September 30, 2019. 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>
2019	\$ 91,943
2020	90,869
2021	( 309,102)
2022	( 368,248)

**G. Postemployment Benefits Other Than Pensions (OPEB) - TMRS Supplemental Death Benefits Fund**

**Plan Description.** The City voluntarily participates in a single-employer other postemployment benefit (OPEB) plan administered by TMRS. The Plan is a group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). The Plan is established and administered in accordance with the TMRS Act identically to the City’s pension plan. SDBF includes coverage for both active and retired members, and assets are commingled for the payment of such benefits. Therefore, the Plan does not qualify as an OPEB Trust in accordance with paragraph 4 of GASB Statement No. 75.

**Benefits Provided.** The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this program via an ordinance, and 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.

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. 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). The death benefit for retirees is considered an other employment benefit and is a fixed amount of \$7,500.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees or beneficiaries currently receiving benefits	55
Inactive employees entitled to but not yet receiving benefits	14
Active employees	<u>149</u>
Total	<u><u>218</u></u>

**Contributions.** The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.16% for 2018 and 0.15% for 2017, of which 0.02% and 0.02%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. 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 prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the years ended September 30, 2018 and 2017 were \$1,753 and \$1,716, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

**Actuarial Assumptions.** The Total OPEB Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Measurement year ended December 31,	2017
Inflation rate	2.50% per annum
Discount rate	3.31%
Actuarial cost method	Entry Age Normal Method
Projected salary increases	3.50% to 10.5% including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the following:



Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, 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 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who became disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor. Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68.

Changes in assumptions reflect the annual change in the municipal bond rate. The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

**Discount Rate.** The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 3.31% was used to measure the Total OPEB Liability. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2017.

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.31%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (2.31%)	Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
Total OPEB Liability	\$ 435,523	\$ 354,159	\$ 291,884

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs.** At September 30, 2018, the City reported a liability of \$354,159 for its Total OPEB Liability. The Total OPEB Liability was determined by an actuarial valuation as of December 31, 2017. For the year ended September 30, 2018, the City recognized OPEB expense of \$35,045. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

***Changes in the Total OPEB Liability***

	<u>Total OPEB Liability</u>
Balance at 12/31/2016	\$ 294,187
Changes for the year:	
Service cost	18,972
Interest	11,446
Changes of assumptions	31,279
Benefit payments	<u>( 1,725)</u>
Net changes	<u>59,972</u>
Balance at 12/31/2017	<u>\$ 354,159</u>

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	<u>Deferred Outflows of Resources</u>
Changes in actuarial assumptions and other inputs	\$ 26,652
Contributions subsequent to the measurement date	<u>1,279</u>
Totals	<u>\$ 27,931</u>

\$1,279 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB Liability for the year ending September 30, 2019. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>For the Year Ended September 30,</u>		
2019	\$	4,627
2020		4,627
2021		4,627
2022		4,627
2023		4,627
Thereafter		3,517

## **H. 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.

### **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 nonpurpose 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.

## **I. 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.

## **J. Strategic Partnership Agreements**

On October 22, 2007, the City entered into Strategic Partnership Agreements (SPA) with Pecan Grove Municipal Utility District ("Pecan Grove MUD"), Fort Bend County Municipal Utility District No. 121 ("FBCMUD 121") and Fort Bend County Municipal Utility District No. 116 ("FBCMUD 116") whereby the City will annex certain commercial areas within Pecan Grove MUD, FBCMUD 121 and FBCMUD 116 (the Limited Purpose Tracts). The City also entered into a similar agreement with Fort Bend County Municipal Utility District No. 207 ("FBCMUD 207") on January 21, 2014. 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 \$135,692 to Pecan Grove MUD, \$3,563 to FBCMUD 121, \$220,630 to FBCMUD 116 and \$76,295 to FBCMUD 207 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.

**K. 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.

**L. Prior Period Adjustments**

During fiscal year 2018, the City adopted GASB Statement No. 75, *Accounting and Reporting for Post-Employment Benefits Other Than Pensions*. With GASB 75, the City must assume its Total OPEB Liability in connection with the TMRS SDBF. Adoption of GASB 75 required a prior period adjustment to report the effect of the standard retroactively. As such, beginning net position was restated by \$292,935.

During fiscal year 2018, an adjustment to accounts payable in the water and sewer fund reduced liabilities and increased net position by \$1,691,084. Account balances presented in prior period financials were not affected by the adjustment.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

**CITY OF RICHMOND, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Original Budget	Final Budget	Actual	Variance from Final
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 2,954,989	\$ 2,954,989	\$ 2,907,049	\$( 47,940)
Sales and use taxes	4,390,816	4,390,816	5,005,098	614,282
Franchise taxes	790,014	790,014	759,287	( 30,727)
Fines and forfeitures	380,000	380,000	367,193	( 12,807)
Licenses and permits	305,000	305,000	313,921	8,921
Intergovernmental	610,078	610,078	1,280,432	670,354
Charges for services	3,998,000	3,998,000	4,298,206	300,206
Investment earnings	5,000	5,000	3,937	( 1,063)
Miscellaneous	40,000	40,000	40,139	139
Total revenues	<u>13,473,897</u>	<u>13,473,897</u>	<u>14,975,262</u>	<u>1,501,365</u>
<b>EXPENDITURES</b>				
General government:				
General government	1,335,332	1,311,063	1,614,283	( 303,220)
Vehicle maintenance	192,869	205,065	205,058	7
Information technology	392,286	270,105	264,742	5,363
Janitorial department	243,052	243,052	235,302	7,750
Municipal courts	544,076	544,076	450,832	93,244
Total general governments	<u>2,707,615</u>	<u>2,573,361</u>	<u>2,770,217</u>	<u>( 196,856)</u>
Public safety:				
Police department	4,097,309	4,009,637	3,741,429	268,208
Fire department - central	4,092,541	4,180,213	4,180,211	2
Emergency management	126,469	126,469	117,548	8,921
Fire marshal	556,788	556,788	526,369	30,419
Fire department - station #2	31,400	31,400	4,651	26,749
Fire department - station #3	45,390	45,390	34,593	10,797
Total public safety	<u>8,949,897</u>	<u>8,949,897</u>	<u>8,604,801</u>	<u>345,096</u>
Public works:				
Public works	355,200	366,273	366,273	-
Street department	1,613,846	1,613,846	1,479,697	134,149
Sanitation department	1,510,000	1,633,181	1,633,181	-
Total public works	<u>3,479,046</u>	<u>3,613,300</u>	<u>3,479,151</u>	<u>134,149</u>

**CITY OF RICHMOND, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final</u>
<b>EXPENDITURES (Continued)</b>				
Parks and recreation:				
Parks department	\$ 459,169	\$ 459,169	\$ 448,477	\$ 10,692
Total parks and recreation	<u>459,169</u>	<u>459,169</u>	<u>448,477</u>	<u>10,692</u>
Community development:				
Building permits	310,305	310,305	304,146	6,159
Community development	<u>302,779</u>	<u>302,779</u>	<u>250,614</u>	<u>52,165</u>
Total community development	<u>613,084</u>	<u>613,084</u>	<u>554,760</u>	<u>58,324</u>
Total expenditures	<u>16,208,811</u>	<u>16,208,811</u>	<u>15,857,406</u>	<u>351,405</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 2,734,914)</u>	<u>( 2,734,914)</u>	<u>( 882,144)</u>	<u>1,852,770</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>1,862,520</u>	<u>1,862,520</u>	<u>1,862,520</u>	<u>-</u>
Total other financing sources (uses)	<u>1,862,520</u>	<u>1,862,520</u>	<u>1,862,520</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 872,394)</u>	<u>( 872,394)</u>	<u>980,376</u>	<u>1,852,770</u>
<b>FUND BALANCE, BEGINNING</b>	<u>4,537,296</u>	<u>4,537,296</u>	<u>4,953,873</u>	<u>416,577</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 3,664,902</u>	<u>\$ 3,664,902</u>	<u>\$ 5,934,249</u>	<u>\$ 2,269,347</u>

**CITY OF RICHMOND, TEXAS**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
AND RELATED RATIOS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Measurement Date December 31,	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>A. Total pension liability</b>				
Service Cost	\$ 1,075,211	\$ 1,239,239	\$ 1,356,736	\$ 1,503,114
Interest (on the Total Pension Liability)	2,292,476	2,399,359	2,465,759	2,637,325
Difference between expected and actual experience	( 534,308)	86,553	67,960	765,789
Changes in assumptions	-	( 116,121)	-	-
Benefit payments, including refunds of employee contributions	( 1,354,207)	( 1,422,763)	( 1,406,391)	( 1,437,457)
Net change in total pension liability	1,479,172	2,186,267	2,484,064	3,468,771
Total pension liability - beginning	<u>32,889,149</u>	<u>34,368,321</u>	<u>36,554,588</u>	<u>39,038,652</u>
Total pension liability - ending (a)	<u>34,368,321</u>	<u>36,554,588</u>	<u>39,038,652</u>	<u>42,507,423</u>
<b>B. Plan fiduciary net position</b>				
Contributions - Employer	1,006,036	1,067,545	1,044,433	1,201,284
Contributions - Employee	491,469	534,155	553,447	603,660
Net Investment Income	1,699,338	46,517	2,143,853	4,718,469
Benefit payments, including refunds of employee contributions	( 1,354,207)	( 1,422,763)	( 1,406,391)	( 1,437,457)
Administrative Expenses	( 17,739)	( 28,334)	( 24,211)	( 24,443)
Other	( 1,458)	( 1,399)	( 1,304)	( 1,239)
Net change in plan fiduciary net position	1,823,439	195,721	2,309,827	5,060,274
Plan fiduciary net position - beginning	<u>29,701,531</u>	<u>31,524,970</u>	<u>31,720,691</u>	<u>34,030,518</u>
Plan fiduciary net position - ending (b)	<u>31,524,970</u>	<u>31,720,691</u>	<u>34,030,518</u>	<u>39,090,792</u>
<b>C. Net pension liability - ending (a) - (b)</b>	<u>\$ 2,843,351</u>	<u>\$ 4,833,897</u>	<u>\$ 5,008,134</u>	<u>\$ 3,416,631</u>
<b>D. Plan fiduciary net position as a percentage of total pension liability</b>	91.73%	86.78%	87.17%	91.96%
<b>E. Covered payroll</b>	\$ 7,015,606	\$ 7,630,779	\$ 7,906,389	\$ 8,623,716
<b>F. Net position liability as a percentage of covered payroll</b>	40.53%	63.35%	63.34%	39.62%

Note: This schedule is required to have 10 years of information but the information prior to 2014 is



**CITY OF RICHMOND, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

<b>Fiscal Year Ended September 30,</b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
Actuarial determined contribution	\$ <u>1,004,526</u>	\$ <u>1,012,728</u>	\$ <u>1,018,458</u>	\$ <u>1,191,364</u>	\$ <u>1,259,725</u>
Contributions in relation to the actuarially determined contribution	\$ <u>1,004,526</u>	\$ <u>1,012,728</u>	\$ <u>1,018,458</u>	\$ <u>1,191,364</u>	\$ <u>1,259,725</u>
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	6,657,271	7,015,606	7,713,975	8,580,137	8,765,110
Contributions as a percentage of covered payroll	15.09%	14.44%	13.20%	13.89%	14.37%

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:**

Notes Actuarially 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	28 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
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:**

Notes There were no benefit changes during the year.

Note: This schedule is required to have 10 years of information but the information prior to 2014 is not available.

**CITY OF RICHMOND, TEXAS**

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY  
AND RELATED RATIOS**

**TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFITS FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

<b>Measurement Date December 31,</b>	<u><b>2017</b></u>
<b>A. Total OPEB liability</b>	
Service Cost	\$ 18,972
Interest (on the Total OPEB Liability)	11,446
Changes of assumptions	31,279
Benefit payments, including refunds of employee contributions	<u>( 1,725)</u>
Net change in Total OPEB liability	59,972
Total OPEB liability - beginning	<u>294,187</u>
Total OPEB liability - ending (a)	<u>354,159</u>
<b>B. Covered-employee payroll</b>	\$ 8,623,716
<b>C. Total OPEB liability as a percentage of covered-employee payroll</b>	4.11%

**Notes to Schedule:**

- No assets are accumulated in a trust for the SDB plan to pay related benefits that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.
- This schedule is required to have 10 years of information, but the information prior to 2017 is not available.
- Included in the changes of assumptions was a reduction to the discount rate from 3.81% to 3.31%.

## **CITY OF RICHMOND, TEXAS**

### **NOTES TO REQUIRED SUPPLEMENTARY BUDGET INFORMATION**

**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

#### **Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and debt service fund. The capital projects fund is appropriated on a project-length basis. Other special revenue funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

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 (legal level of budgetary control). Expenditure requests, which would require an increase in the total budgeted appropriations, must be approved by the 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 health, safety, or welfare. The City 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.

#### **Excess of Expenditures Over Appropriations**

The debt service fund had excess expenditures over appropriations of \$180,343 for debt service expenditures during the current year. This overage was funded with existing fund balance.

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**COMBINING AND INDIVIDUAL  
FUND STATEMENTS AND SCHEDULES**

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## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

*Special Revenue Funds* are used to account for specific revenues that are legally restricted to expenditure for particular 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 accounts 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  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2018**

	<u>Festivals Fund</u>	<u>Parks Improvement Fund</u>	<u>Narcotics Seizure City</u>	<u>State Narcotics Fund</u>
<b>ASSETS</b>				
Cash and equivalents	\$ 709	\$ 4,727	\$ 7,751	\$ 288,516
Total assets	<u>709</u>	<u>4,727</u>	<u>7,751</u>	<u>288,516</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Accounts payable	-	500	-	-
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>500</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted:				
Public safety	-	-	7,751	288,516
Community projects	<u>709</u>	<u>4,227</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>709</u>	<u>4,227</u>	<u>7,751</u>	<u>288,516</u>
 Total liabilities and fund balances	 <u>\$ 709</u>	 <u>\$ 4,727</u>	 <u>\$ 7,751</u>	 <u>\$ 288,516</u>



Federal Narcotics Fund	Community Development Block Grant Fund	TCLEOSE Fund	Municipal Court Technology Fund	Municipal Court Security Fund	Total Nonmajor Governmental Funds
\$ 89	\$ 73,566	\$ 4,836	\$ 16,304	\$ 29,166	\$ 425,664
<u>89</u>	<u>73,566</u>	<u>4,836</u>	<u>16,304</u>	<u>29,166</u>	<u>425,664</u>
-	-	-	-	-	500
<u>-</u>	<u>68,886</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,886</u>
<u>-</u>	<u>68,886</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,386</u>
89	-	4,836	16,304	29,166	346,662
<u>-</u>	<u>4,680</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,616</u>
<u>89</u>	<u>4,680</u>	<u>4,836</u>	<u>16,304</u>	<u>29,166</u>	<u>356,278</u>
<u>\$ 89</u>	<u>\$ 73,566</u>	<u>\$ 4,836</u>	<u>\$ 16,304</u>	<u>\$ 29,166</u>	<u>\$ 425,664</u>

**CITY OF RICHMOND, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Festivals Fund	Parks Improvement Fund	Narcotics Seizure City	State Narcotics Fund
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>				
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Investment earnings	1	4	-	-
Miscellaneous	-	-	94	165,000
Total revenues	<u>1</u>	<u>4</u>	<u>94</u>	<u>165,000</u>
<b>EXPENDITURES</b>				
Public safety	-	-	225	67,368
Public works	-	1,401	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>1,401</u>	<u>225</u>	<u>67,368</u>
<b>EXCESS (DEFICIENCY) OF REVENUES (OVER) UNDER EXPENDITURES</b>	<u>1</u>	<u>( 1,397)</u>	<u>( 131)</u>	<u>97,632</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	1	( 1,397)	( 131)	97,632
<b>FUND BALANCES, BEGINNING</b>	<u>708</u>	<u>5,624</u>	<u>7,882</u>	<u>190,884</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 709</u>	<u>\$ 4,227</u>	<u>\$ 7,751</u>	<u>\$ 288,516</u>

Federal Narcotics Fund	Community Development Block Grant Fund	TCLEOSE Fund	Municipal Court Technology Fund	Municipal Court Security Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 5,821	\$ 4,366	\$ 10,187
-	124,581	4,152	-	-	128,733
2	-	-	15	31	53
-	-	-	-	-	165,094
<u>2</u>	<u>124,581</u>	<u>4,152</u>	<u>5,836</u>	<u>4,397</u>	<u>304,067</u>
4,700	-	151	-	1,237	73,681
-	-	-	-	-	1,401
-	-	-	21,321	30,182	51,503
<u>4,700</u>	<u>-</u>	<u>151</u>	<u>21,321</u>	<u>31,419</u>	<u>126,585</u>
( 4,698)	124,581	4,001	( 15,485)	( 27,022)	177,482
-	( 116,407)	-	-	-	( 116,407)
-	( 116,407)	-	-	-	( 116,407)
( 4,698)	8,174	4,001	( 15,485)	( 27,022)	61,075
<u>4,787</u>	<u>( 3,494)</u>	<u>835</u>	<u>31,789</u>	<u>56,188</u>	<u>295,203</u>
<u>\$ 89</u>	<u>\$ 4,680</u>	<u>\$ 4,836</u>	<u>\$ 16,304</u>	<u>\$ 29,166</u>	<u>\$ 356,278</u>

**CITY OF RICHMOND, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	2018		Variance Positive (Negative)	2017
	Final Budget	Actual		Actual
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 786,174	\$ 747,930	\$( 38,244)	\$ 1,053,527
Intergovernmental	-	254,530	254,530	255,088
Investment earnings	5,000	587	( 4,413)	1,734
Total revenues	<u>791,174</u>	<u>1,003,047</u>	<u>211,873</u>	<u>1,310,349</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal	1,140,000	1,250,000	( 110,000)	1,120,000
Interest and other charges	<u>569,963</u>	<u>640,306</u>	<u>( 70,343)</u>	<u>600,927</u>
Total expenditures	<u>1,709,963</u>	<u>1,890,306</u>	<u>( 180,343)</u>	<u>1,720,927</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 918,789)</u>	<u>( 887,259)</u>	<u>31,530</u>	<u>( 410,578)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>953,268</u>	<u>700,480</u>	<u>( 252,788)</u>	<u>231,081</u>
Total other financing sources (uses)	<u>953,268</u>	<u>700,480</u>	<u>( 252,788)</u>	<u>231,081</u>
<b>NET CHANGE IN FUND BALANCE</b>	34,479	( 186,779)	( 221,258)	( 179,497)
<b>FUND BALANCE, BEGINNING</b>	<u>546,513</u>	<u>573,022</u>	<u>26,509</u>	<u>752,519</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 580,992</u>	<u>\$ 386,243</u>	<u>\$( 194,749)</u>	<u>\$ 573,022</u>

**STATISTICAL SECTION  
(UNAUDITED)**

This part of the City’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City’s overall financial health.

**Page  
Number**

**Financial Trends**

These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.

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**Revenue Capacity**

These schedules contain information to help the reader assess the City’s most significant local revenue sources. Although sales taxes are the City’s most significant local revenue source, information about revenue base is unavailable and information about principal revenue payers is confidential under Texas statutes. Trend information about sales tax revenues I provided in Table 6. Additionally, information about the City’s second most significant local revenue source, the property tax, is provided.

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**Debt Capacity**

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.

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**Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.

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**Operating Information**

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.

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Sources – Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

**CITY OF RICHMOND, TEXAS**  
**NET POSITION BY COMPONENT**  
**(UNAUDITED)**  
**LAST TEN FISCAL YEARS**  
**(accrual basis of accounting)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental activities:				
Net investment in capital assets	\$ 5,535,614	\$ 5,602,683	\$ 5,109,818	\$ 4,113,159
Restricted	1,496,984	1,200,637	1,351,687	1,055,694
Unrestricted	<u>916,309</u>	<u>3,680,396</u>	<u>1,184,543</u>	<u>557,684</u>
Total governmental activities net position	<u>\$ 7,948,907</u>	<u>\$ 10,483,716</u>	<u>\$ 7,646,048</u>	<u>\$ 5,726,537</u>
Business-type activities:				
Net investment in capital assets	\$ 22,496,624	\$ 21,006,899	\$ 25,306,185	\$ 29,258,855
Restricted	-	-	-	-
Unrestricted	<u>5,639,822</u>	<u>6,561,532</u>	<u>8,401,699</u>	<u>7,784,183</u>
Total business-type activities net position	<u>\$ 28,136,446</u>	<u>\$ 27,568,431</u>	<u>\$ 33,707,884</u>	<u>\$ 37,043,038</u>
Primary government:				
Net investment in capital assets	\$ 28,032,238	\$ 26,609,582	\$ 30,416,003	\$ 33,372,014
Restricted	1,496,984	1,200,637	1,351,687	1,055,694
Unrestricted	<u>6,556,131</u>	<u>10,241,928</u>	<u>9,586,242</u>	<u>8,341,867</u>
Total primary government net position	<u>\$ 36,085,353</u>	<u>\$ 38,052,147</u>	<u>\$ 41,353,932</u>	<u>\$ 42,769,575</u>

**TABLE 1**

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 2,608,034	\$ 5,179,999	\$ 5,129,543	\$ 5,321,684	\$ 8,050,928	\$ 6,897,558
698,128	879,086	1,015,374	1,038,474	953,561	735,843
<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>4,221,665</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>	<u>\$ 11,855,066</u>
\$ 31,173,123	\$ 33,420,225	\$ 39,834,230	\$ 39,690,192	\$ 43,928,445	\$ 43,224,556
2,379,720	4,268,765	3,898,062	3,898,062	5,547,798	5,933,209
<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>5,492,386</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>	<u>\$ 54,650,151</u>
\$ 33,781,157	\$ 38,600,224	\$ 44,963,773	\$ 45,011,876	\$ 51,979,373	\$ 50,122,114
705,795	885,939	4,913,436	4,936,536	6,501,359	6,669,052
<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>9,714,051</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>	<u>\$ 66,505,217</u>

**CITY OF RICHMOND, TEXAS**  
**CHANGES IN NET POSITION**  
**(UNAUDITED)**  
**LAST TEN FISCAL YEARS**  
**(accrual basis of accounting)**

	Fiscal Year			
	2009	2010	2011	2012
<b>EXPENSES</b>				
Governmental activities:				
General government	\$ 1,288,832	\$ 1,932,001	\$ 1,356,375	\$ 1,657,252
Public safety	6,286,007	6,279,497	6,684,886	6,866,056
Public works	2,592,763	2,535,798	2,635,218	2,678,325
Parks and recreation	472,608	471,017	454,594	483,624
Community development	-	-	-	-
Interest on long-term debt	295,805	479,682	371,471	430,711
Total governmental activities expenses	<u>10,936,015</u>	<u>11,697,995</u>	<u>11,502,544</u>	<u>12,115,968</u>
Business-type activities:				
Water and sewer	3,956,907	4,087,381	4,623,424	4,829,487
Surface water	-	-	-	-
Total business-type activities expenses	<u>3,956,907</u>	<u>4,087,381</u>	<u>4,623,424</u>	<u>4,829,487</u>
Total primary government expenses	<u>\$ 14,892,922</u>	<u>\$ 15,785,376</u>	<u>\$ 16,125,968</u>	<u>\$ 16,945,455</u>
<b>PROGRAM REVENUES</b>				
Governmental activities:				
Charges for services:				
Public safety	\$ 1,552,105	\$ 1,474,934	\$ 1,568,045	\$ 1,339,251
Public works	1,369,206	1,217,402	1,303,806	1,567,992
Culture and recreation	-	-	-	-
Operating grants and contributions	629,342	1,278,042	1,615,748	1,308,839
Capital grants and contributions	450,000	-	-	19,490
Total governmental activities program revenues	<u>4,000,653</u>	<u>3,970,378</u>	<u>4,487,599</u>	<u>4,235,572</u>
Business-type activities				
Charges for services:				
Water and sewer	6,524,853	6,681,028	8,366,094	7,530,461
Surface water	-	-	-	-
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	<u>6,524,853</u>	<u>6,681,028</u>	<u>8,366,094</u>	<u>7,530,461</u>
Total primary government program revenues	<u>\$ 10,525,506</u>	<u>\$ 10,651,406</u>	<u>\$ 12,853,693</u>	<u>\$ 11,766,033</u>



TABLE 2

		Fiscal Year									
		2013	2014	2015	2016	2017	2018				
\$	1,753,484	\$	1,850,449	\$	2,028,934	\$	2,148,288	\$	2,067,723	\$	2,752,167
	6,959,939		6,807,890		7,356,199		8,063,344		8,955,266		9,345,497
	4,468,498		4,888,517		5,493,672		4,050,246		3,143,354		3,496,887
	485,120		464,973		469,734		692,201		1,096,613		827,222
	-		-		56,951		137,820		248,418		250,017
	<u>569,840</u>		<u>351,599</u>		<u>502,028</u>		<u>606,835</u>		<u>539,032</u>		<u>701,024</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>		<u>17,372,814</u>
	5,473,678		7,356,048		5,724,872		5,619,871		5,710,394		6,830,537
	-		-		<u>475,315</u>		<u>1,515,334</u>		<u>1,517,533</u>		<u>2,061,224</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>8,891,761</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>	\$	<u>26,264,575</u>
\$	1,443,301	\$	1,837,584	\$	2,356,960	\$	2,437,425	\$	2,495,391	\$	2,723,782
	1,867,707		1,996,562		1,984,941		1,992,205		2,222,489		1,941,754
	-		-		-		-		-		323,971
	627,165		4,452,136		2,015,232		1,161,045		2,477,246		1,539,114
	15		124,819		-		-		-		124,581
	<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>		<u>6,653,202</u>
	10,665,213		8,576,256		8,446,349		8,621,016		9,490,742		7,942,673
	-		-		2,226,140		2,264,919		2,600,011		2,750,547
	111,804		26,547		-		-		-		-
	<u>2,704,271</u>		<u>1,528,577</u>		<u>3,174,445</u>		<u>845,591</u>		<u>-</u>		<u>-</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>10,693,220</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>	\$	<u>17,346,422</u>

**CITY OF RICHMOND, TEXAS**  
**CHANGES IN NET POSITION**  
**(Continued)**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**  
**(accrual basis of accounting)**

	2009	2010	2011	2012
<b>NET (EXPENSE) REVENUES</b>				
Governmental activities	\$( 6,935,362)	\$( 7,727,617)	\$( 7,014,945)	\$( 7,880,396)
Business-type activities	<u>2,567,946</u>	<u>2,593,647</u>	<u>3,742,670</u>	<u>2,700,974</u>
Total primary government net expense	<u>( 4,367,416)</u>	<u>( 5,133,970)</u>	<u>( 3,272,275)</u>	<u>( 5,179,422)</u>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION</b>				
Governmental activities:				
Taxes:				
Property taxes	3,133,847	3,157,793	2,971,542	3,007,602
Sales and use taxes	2,952,295	2,857,057	2,668,475	2,813,786
Franchise taxes	780,241	783,267	799,263	705,143
Investment earnings	6,673	28,310	35,609	25,986
Miscellaneous	-	143,458	103,725	37,335
Transfers	<u>802,768</u>	<u>2,951,859</u>	<u>( 2,392,119)</u>	<u>( 628,967)</u>
Total governmental activities	<u>7,675,824</u>	<u>9,921,744</u>	<u>4,186,495</u>	<u>5,960,885</u>
Business-type activities:				
Investment earnings	21,028	3,073	4,664	5,213
Transfers	<u>( 802,768)</u>	<u>( 2,951,859)</u>	<u>2,392,119</u>	<u>628,967</u>
Total business-type activities	<u>( 781,740)</u>	<u>( 2,948,786)</u>	<u>2,396,783</u>	<u>634,180</u>
Total primary government	<u>6,894,084</u>	<u>6,972,958</u>	<u>6,583,278</u>	<u>6,595,065</u>
<b>CHANGE IN NET POSITION</b>				
Governmental activities	740,462	2,194,127	( 2,828,450)	( 1,919,511)
Business-type activities	<u>1,786,206</u>	<u>( 355,139)</u>	<u>6,139,453</u>	<u>3,335,154</u>
Total primary government	<u>\$ 2,526,668</u>	<u>\$ 1,838,988</u>	<u>\$ 3,311,003</u>	<u>\$ 1,415,643</u>

Prior to 2006, governmental activities charges for services revenue is not available by function.

TABLE 2

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$( 10,298,693)	\$( 5,952,327)	\$( 9,550,385)	\$( 10,108,059)	\$( 8,855,280)	\$( 10,719,612)
<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>1,801,459</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>	<u>( 8,918,153)</u>
2,993,345	3,369,617	3,274,348	3,615,207	3,727,157	3,368,354
3,124,420	3,411,152	3,856,250	4,219,534	4,522,169	5,005,098
749,861	714,824	742,401	773,538	800,274	759,287
16,541	35,628	37,601	8,239	13,298	7,084
60,176	300,215	403,067	124,834	303,627	338,460
<u>1,857,765</u>	<u>2,404,100</u>	<u>2,493,900</u>	<u>2,403,000</u>	<u>2,070,000</u>	<u>2,081,109</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>	<u>11,559,392</u>
4,343	6,739	5,816	16,943	15,363	10,352
<u>( 1,857,765)</u>	<u>( 2,404,100)</u>	<u>( 2,493,900)</u>	<u>( 2,403,000)</u>	<u>( 2,070,000)</u>	<u>( 2,081,109)</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>( 2,070,757)</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>	<u>9,488,635</u>
( 1,496,585)	4,283,209	1,257,182	1,036,293	2,581,245	839,780
<u>6,154,188</u>	<u>377,971</u>	<u>5,158,663</u>	<u>2,210,264</u>	<u>2,808,189</u>	<u>( 269,298)</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>	<u>\$ 570,482</u>

**CITY OF RICHMOND, TEXAS**  
**FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**(UNAUDITED)**  
**LAST TEN FISCAL YEARS**  
(modified accrual basis of accounting)

	Fiscal Year			
	2009	2010	2011	2012
General fund				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Assigned	-	-	-	-
Unassigned	<u>187,398</u>	<u>143,366</u>	<u>1,126,005</u>	<u>1,131,452</u>
Total general fund	<u>\$ 187,398</u>	<u>\$ 143,366</u>	<u>\$ 1,126,005</u>	<u>\$ 1,131,452</u>
All other governmental funds				
Restricted:	\$ -	\$ -	\$ -	\$ -
Debt service	1,024,540	1,090,314	1,053,463	875,125
Capital projects	266,114	6,724,042	3,139,662	1,196,461
Other	137,927	146,813	320,319	214,909
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 1,428,581</u>	<u>\$ 7,961,169</u>	<u>\$ 4,513,444</u>	<u>\$ 2,286,495</u>

**TABLE 3**

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ -	\$ 2,864	\$ 3,886	\$ 13,478	\$ 8,510	\$ 13,873
-	-	-	-	-	458,007
<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>5,462,369</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>	<u>\$ 5,934,249</u>
\$ -	\$ -	\$ -	\$ -	\$ -	-
625,051	637,862	671,887	752,519	573,022	386,243
7,205,198	7,187,551	3,036,998	4,915,125	3,305,979	5,648,233
119,758	175,882	266,420	212,088	298,697	356,278
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 3,494)</u>	<u>-</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>	<u>\$ 6,390,754</u>

**CITY OF RICHMOND, TEXAS**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**(UNAUDITED)**  
**LAST TEN FISCAL YEARS**  
(modified accrual basis of accounting)

	Fiscal Year			
	2009	2010	2011	2012
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 3,117,441	\$ 3,136,447	\$ 2,974,957	\$ 3,188,280
Sales and use taxes	2,952,295	2,857,057	2,668,475	2,813,786
Franchise taxes	780,241	783,267	799,263	705,143
Fines and forfeitures	300,536	296,037	321,482	318,837
Licenses and permits	242,820	121,403	128,742	182,580
Intergovernmental	334,278	228,410	708,158	593,314
Charges for services	2,158,733	2,279,897	2,426,702	2,411,351
Investment earnings	6,673	28,310	35,609	25,986
Miscellaneous	514,286	1,188,089	1,006,239	747,337
Total revenues	<u>10,407,303</u>	<u>10,918,917</u>	<u>11,069,627</u>	<u>10,986,614</u>
<b>EXPENDITURES</b>				
General government	1,329,691	1,624,722	1,484,292	1,565,105
Public safety	6,262,566	6,354,900	6,509,162	6,289,985
Public works	2,280,917	2,237,085	2,383,400	2,442,678
Culture and recreation	376,298	379,060	372,906	394,024
Community development	-	-	-	-
Capital outlay	560,536	36,495	10,875	3,116,088
Debt service:				
Principal	677,485	682,770	881,336	890,928
Interest and other charges	298,386	413,400	382,968	370,774
Debt issuance costs	-	222,525	-	-
Intergovernmental contributions	-	400,000	-	-
Total expenditures	<u>11,785,879</u>	<u>12,350,957</u>	<u>12,024,939</u>	<u>15,069,582</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 1,378,576)</u>	<u>( 1,432,040)</u>	<u>( 955,312)</u>	<u>( 4,082,968)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,829,953	7,201,713	1,900,000	2,047,000
Transfers out	( 577,185)	( 4,249,854)	( 4,292,119)	( 234,381)
Bond issued	-	9,040,000	-	-
Premium on bonds issued	-	275,462	-	-
Payments to refunded bond escrow agent	-	( 4,683,931)	-	-
Capital leases	-	400,000	-	40,411
Total other financing sources (uses)	<u>1,252,768</u>	<u>7,983,390</u>	<u>( 2,392,119)</u>	<u>1,853,030</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$( 125,808)</u>	<u>\$ 6,551,350</u>	<u>\$( 3,347,431)</u>	<u>\$( 2,229,938)</u>
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>	<u>8.7%</u>	<u>9.5%</u>	<u>10.4%</u>	<u>9.0%</u>

TABLE 4

		Fiscal Year									
		2013	2014	2015	2016	2017	2018				
\$	3,033,219	\$	3,165,900	\$	3,245,746	\$	3,615,207	\$	3,679,654	\$	3,654,979
	3,124,420		3,411,152		3,856,250		4,231,660		4,522,169		5,005,098
	749,861		714,824		742,401		761,412		800,274		759,287
	391,778		456,305		598,244		491,454		416,659		377,380
	378,338		377,713		251,208		198,753		329,158		313,921
	620,415		4,672,711		2,262,965		1,202,031		2,468,284		1,663,695
	2,547,642		3,027,678		3,497,621		3,748,423		3,981,025		4,298,206
	16,541		35,628		37,601		8,239		13,298		7,084
	61,246		52,090		150,132		74,848		303,627		338,460
	<u>10,923,460</u>		<u>15,914,001</u>		<u>14,642,168</u>		<u>14,332,027</u>		<u>16,514,148</u>		<u>16,418,110</u>
	1,681,486		1,764,555		1,991,009		2,070,135		1,980,842		2,663,234
	6,467,967		6,867,739		7,064,212		7,338,749		8,149,828		8,608,509
	2,287,018		2,534,669		2,627,117		2,962,370		3,064,484		3,371,555
	409,587		395,813		379,089		591,704		651,924		730,201
	-		-		58,046		134,920		244,518		250,614
	1,444,579		4,500,246		6,522,278		2,442,203		4,159,061		1,182,860
	699,311		929,920		918,637		1,024,249		1,201,120		1,250,000
	647,142		597,336		564,272		663,604		603,218		752,313
	-		-		-		-		-		-
	-		-		-		-		-		-
	<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>		<u>18,809,286</u>
(	2,713,630)	(	1,676,277)	(	5,482,492)	(	2,895,907)	(	3,540,847)	(	2,391,176)
	2,108,989		2,404,100		2,493,900		2,423,384		2,070,000		4,028,342
(	251,224)		-		-		( 20,384)		-		( 1,947,233)
	6,323,884		-		-		3,375,000		-		3,405,000
	296,116		-		-		200,695		-		101,993
(	2,045,472)		-		-		-		-		-
	<u>2,265,000</u>		<u>79,149</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</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>5,588,102</u>
\$	<u>5,983,663</u>	\$	<u>806,972</u>	\$	<u>( 2,988,592)</u>	\$	<u>3,082,788</u>	\$	<u>( 1,470,847)</u>	\$	<u>3,196,926</u>
	<u>10.3%</u>		<u>11.7%</u>		<u>9.2%</u>		<u>10.8%</u>		<u>11.3%</u>		<u>11.5%</u>

TABLE 5

## 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			
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
2018	2017	268,740,504	491,758,927	65,204,345	310,944,979	514,758,797	0.71000

(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



**TABLE 6**

**CITY OF RICHMOND, TEXAS**

**PROPERTY TAX RATES (1)  
DIRECT AND OVERLAPPING GOVERNMENTS (2)**

**LAST TEN FISCAL YEARS**

Fiscal Year	City of Richmond			Lamar CISD	Fort Bend County	Total
	Maintenance Rate	Debt Service Rate	Total Tax Rate			
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	0.25290	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
2018	0.56520	0.14480	0.71000	1.39005	0.46900	2.56905

(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

**TABLE 7**

**CITY OF RICHMOND, TEXAS**

**PRINCIPAL PROPERTY TAXPAYERS**

**CURRENT AND NINE YEARS AGO**

Taxpayer	2018			2009		
	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	5.0%			
Wal-Mart Real Estate Business Trus	9,711,140	2	1.9%	\$ 11,781,790	1	2.9%
LSREF3 Bravo (houston) LLC	8,545,460	3	1.7%			-
Archer Daniel Midland CO	7,354,520	4	1.4%	6,000,230	5	1.5%
Wal-Mart Stores Texas LLC	7,322,800	5	1.4%	9,035,950	2	2.3%
Houston MOB 3 LLC	6,326,780	6	1.2%			-
Wolverine Mustang LP	5,205,280	7	1.0%			-
Richmond Self Storage Ltd	5,056,920	8	1.0%			
Apex Bank	4,890,930	9	0.9%			
Centerpoint Energy Electric	4,353,440	10	0.8%			-
Matrix Metals LLC			-	7,554,960	3	1.9%
Hunter, Clayton, LLC				6,313,810	4	1.6%
Oakbend Medical Center				5,503,210	6	1.4%
G&I VI Country Club Place				5,500,000	7	1.4%
Golfview Holdings LLC				4,522,190	8	1.1%
CenterPoint Energy Inc				3,922,020	9	1.0%
Wolverine Lamar LP				3,093,700	10	0.8%
	84,767,260		16.4%	63,227,860		15.8%
Other taxpayers	<u>432,883,349</u>		<u>83.6%</u>	<u>336,326,118</u>		<u>84.2%</u>
Total Assessed Valuation	<u>\$ 517,650,609</u>		<u>100.0%</u>	<u>\$ 399,553,978</u>		<u>100.0%</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

**TABLE 8**

**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 Year	Total Collections to Date	
				Amount	Percentage of Levy	Amount	Amount	Percentage of Levy
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	99.5%
2013	2012	0.78650	2,963,047	2,890,178	97.5%	52,484	9,842,662	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%	59,393	3,202,244	99.3%
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%	66,443	3,559,751	97.2%
2018	2017	0.71000	3,617,775	3,526,450	97.5%	-	3,526,450	97.5%

**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)	Certifications of Obligation (1)	Capital Leases (1)	Certificates of Obligation (1)	Capital Leases	
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
2018	9,818,335	8,558,639	-	20,583,384	-	38,960,358

**TABLE 9**

<u>Percentage of Actual Taxable Value of Property (2)</u>	<u>Percentage of Personal Income (3)</u>	<u>Per Capita (3)</u>
2.21%	4.31%	\$ 655
3.23%	4.85%	1,095
3.19%	5.73%	1,019
2.80%	5.85%	907
448.00%	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
7.57%	12.52%	3,167

**CITY OF RICHMOND, TEXAS**

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**

**LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>General Obligation Bonds (1)</u>	<u>Certificates of Obligation (1)</u>	<u>Less Amounts Available in Debt Service Fund</u>	<u>Net Bonded Debt</u>
2009	\$ 6,011,335	\$ 2,305,000	\$ 1,025,540	\$ 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
2018	9,818,335	29,142,023	386,243	38,574,115

- (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.

**TABLE 10**

<u>Percentage of Estimated Actual Taxable Value of Property (2)</u>	<u>Percentage of Personal Income (3)</u>	<u>Per Capita (3)</u>
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
7.49%	12.39%	3,135

## CITY OF RICHMOND, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL  
ACTIVITIES DEBT

SEPTEMBER 30, 2018

Governmental Unit	Net Debt Outstanding	Percentage Applicable to City	Estimated Debt Applicable to City
Fort Bend County	\$ 593,940,527	0.81%	\$ 4,810,918
Lamar CISD	<u>1,062,270,000</u>	<u>0</u>	<u>40,047,579</u>
Total Net Overlapping Debt			44,858,497
City of Richmond	37,640,000	100%	<u>38,690,358</u>
Total Direct and Overlapping Net Debt			<u>\$ 83,548,855</u>
Ratio of total direct and overlapping net debt to assessed valuation			<u>16.23%</u>
Direct and overlapping net debt per capita			<u>\$ 6,791</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.

## 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



TABLE 12

**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)
2009	13,493	\$ 205,026,135	\$ 15,195	30.0	1,983	6.1%
2010	11,679	263,914,596	19,503	30.0	2,524	8.3%
2011	11,679	207,792,768	17,792	30.0	1,989	7.6%
2012	11,679	183,358,065	15,195	30.5	3,089	7.0%
2013	11,654	239,866,088	19,514	31.9	2,316	5.5%
2014	12,018	318,633,234	26,513	33.0	2,258	4.3%
2015	12,018	245,683,974	20,443	33.0	2,401	4.3%
2016	12,138	243,925,248	20,096	34.0	2,439	5.3%
2017	12,092	242,166,484	20,027	34.8	2,373	5.3%
2018	12,303	311,290,506	25,302	33.1	2,402	4.6%

## Data Sources:

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

TABLE 13

**CITY OF RICHMOND, TEXAS**  
**PRINCIPAL EMPLOYERS**  
**CURRENT YEAR AND NINE YEARS AGO**

Employer	2018		2009	
	Employees	Rank	Employees	Rank
Lamar Consolidated ISD	4,600	1		
Fort Bend County	2,481	2	2,116	1
Richmond State School	1,334	3	1,194	2
Oak Bend Medical Center	1,164	4		
Oak Bend Hospital	1,100	5	586	3
HEB Grocery Company	340	6		
Walmart	316	7	278	4
Access Health	249	8		
City of Richmond	178	9	139	5
Wharton County Junior College	157	10		
T.W. Davis YMCA			100	6
Richmond Post Office			63	7
ADM Cotton Mill			40	8
NEPCO Foundry			16	9
Office Depot			6	10
Total	11,919		4,538	

Source: Development Corporation of Richmond

TABLE 14

## CITY OF RICHMOND, TEXAS

## FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

## LAST TEN FISCAL YEARS

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government	10	9	8	10	11	9	8	13	13	13
Public safety										
Police										
Officers	31	30	31	31	29	32	33	31	31	31
Civilians	11	10	12	13	12	10	10	12	14	14
Fire										
Firefighters	34	34	34	40	43	42	43	43	42	44
Civilians	3	3	3	4	4	4	5	10	10	10
Public works										
Administration	2	2	2	2	2	2	4	5	5	5
Streets and sanitation	11	11	11	12	11	11	11	11	12	13
Maintenance and operations	4	4	4	4	4	6	6	5	5	5
Parks and recreation	7	7	7	7	7	7	7	6	6	6
Water and sewer	27	30	30	33	31	34	38	38	41	41
Total	<u>140</u>	<u>140</u>	<u>142</u>	<u>156</u>	<u>154</u>	<u>157</u>	<u>165</u>	<u>174</u>	<u>179</u>	<u>182</u>

Source: City personnel records

# CITY OF RICHMOND, TEXAS

## OPERATING INDICATORS BY FUNCTION

### LAST TEN FISCAL YEARS

Function	2009	2010	2011	2012
<b>Police</b>				
Arrests	501	745	280	323
Accident reports	239	237	209	181
Citations	3,989	3,611	2,705	3,456
Offense reports	1,650	1,413	1,098	972
Calls for service	58,944	30,078	26,481	20,475
<b>Fire</b>				
Fires	205	159	226	162
Explosions, fireworks	2	-	-	-
Rescue/emergency medical incident	1,740	1,648	1,484	1,680
Motor vehicle accidents	146	180	144	167
Hazardous condition, no fire	290	302	252	219
Service calls	696	699	515	394
Good intent calls	165	149	130	193
Fales alarm/false call/fire alarms	301	413	452	404
Special incident type, city ordiance violation	5	2	1	49
Automatic aid/mutual aid given	137	149	168	192
Automatic aid/mutual aid received	47	28	86	61
Total incident reports	3,734	3,729	3,458	3,521
<b>Fire marshal</b>				
Fire safety inspections conducted	340	328	301	270
Fire safety classes/total audience	57/4134	71/6468	67/6442	69/6444
Fire investigations initiated	37	26	35	35
<b>Building permits</b>				
Building - total permits issued	1,262	1,369	2,508	2,206
Building - total inspections conducted	2,903	2,861	4,018	3,961
<b>Water</b>				
Total consumption (millions of gallons)	723.511	720.179	971.275	819.000
Peak daily consumption (millions of gallons)	3.214	3.267	4.445	3.518
Average daily consumption (millions of gallons)	1.977	1.973	2.661	2.243
<b>Sewer</b>				
Average daily sewage treatment (millions of gallons)	1.376	1.492	1.415	1.533
Total consumption (millions of gallons)	503.745	546.592	516.391	560.079
Peak daily consumption (millions of gallons)	3.000	2.778	2.717	5.778

TABLE 15

2013	2014	2015	2016	2017	2018
467	353	589	578	607	666
197	207	207	274	279	266
3,897	3,922	2,767	2,459	1,526	1,254
1,178	1,167	1,056	1,146	971	1,029
22,268	22,862	23,168	21,583	16,919	17,330
190	145	187	188	185	203
-	5	22	5	2	3
1,862	2,070	2,382	2,709	3,098	3,159
230	269	327	328	347	328
139	120	162	150	140	111
363	331	308	274	335	285
172	179	151	221	161	149
355	399	484	430	512	492
89	52	96	149	118	44
177	145	167	200	156	152
69	61	86	54	55	50
3,646	3,776	4,372	4,708	5,109	4,976
200	260	247	160	322	280
77/3629	81/3901	87/3800	45/3884	63/5701	47/3851
36	32	12	23	52	39
2,649	2,731	2,638	2,264	2,842	2,691
5,763	8,426	9,105	8,505	7,192	6,978
825.755	820.761	869.066	803.309	862.470	605.854
3.782	3.666	4.474	3.527	4.130	3.840
2.262	2.248	2.381	2.543	2.780	1.770
1.336	1.341	1.354	1.504	1.495	1.440
487.633	489.465	494.192	577.946	547.335	439.501
3.541	3.908	6.102	6.122	6.262	4.371

**CITY OF RICHMOND, TEXAS**  
**CAPITAL ASSETS STATISTICS BY FUNCTION**  
**LAST TEN FISCAL YEARS**

Function	2009	2010	2011	2012
Public safety				
Police				
Stations	1	1	1	1
Patrol units	27	27	27	23
Fire				
Fire stations	2	3	3	3
Public works				
Dump trucks	10	10	9	9
Streets (miles)	46	45	38	38
Parks and recreation				
Parks acreage	235	235	235	235
Parks	3	3	3	3
Water and sewer				
Water mains (miles)	50	50	53	53
Fire hydrants	292	292	326	326
Maximum daily capacity (millions of gallons)	3.167	3.167	7.171	7.000
Sanitary sewers (miles)	44	44	44	44
Storms (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

**TABLE 16**

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
1	1	1	1	1	1
23	23	23	25	28	29
3	3	3	3	3	3
9	9	9	8	8	8
38	38	38	38	38	38
246	246	246	246	246	246
4	4	4	5	6	6
54	54	54	54	56	56
342	353	353	353	359	359
7.171	7.171	7.171	7.171	11.601	11.601
44	44	44	44	54	54
12	12	12	12	12	12
3.000	3.000	3.000	3.000	3.000	3.000

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