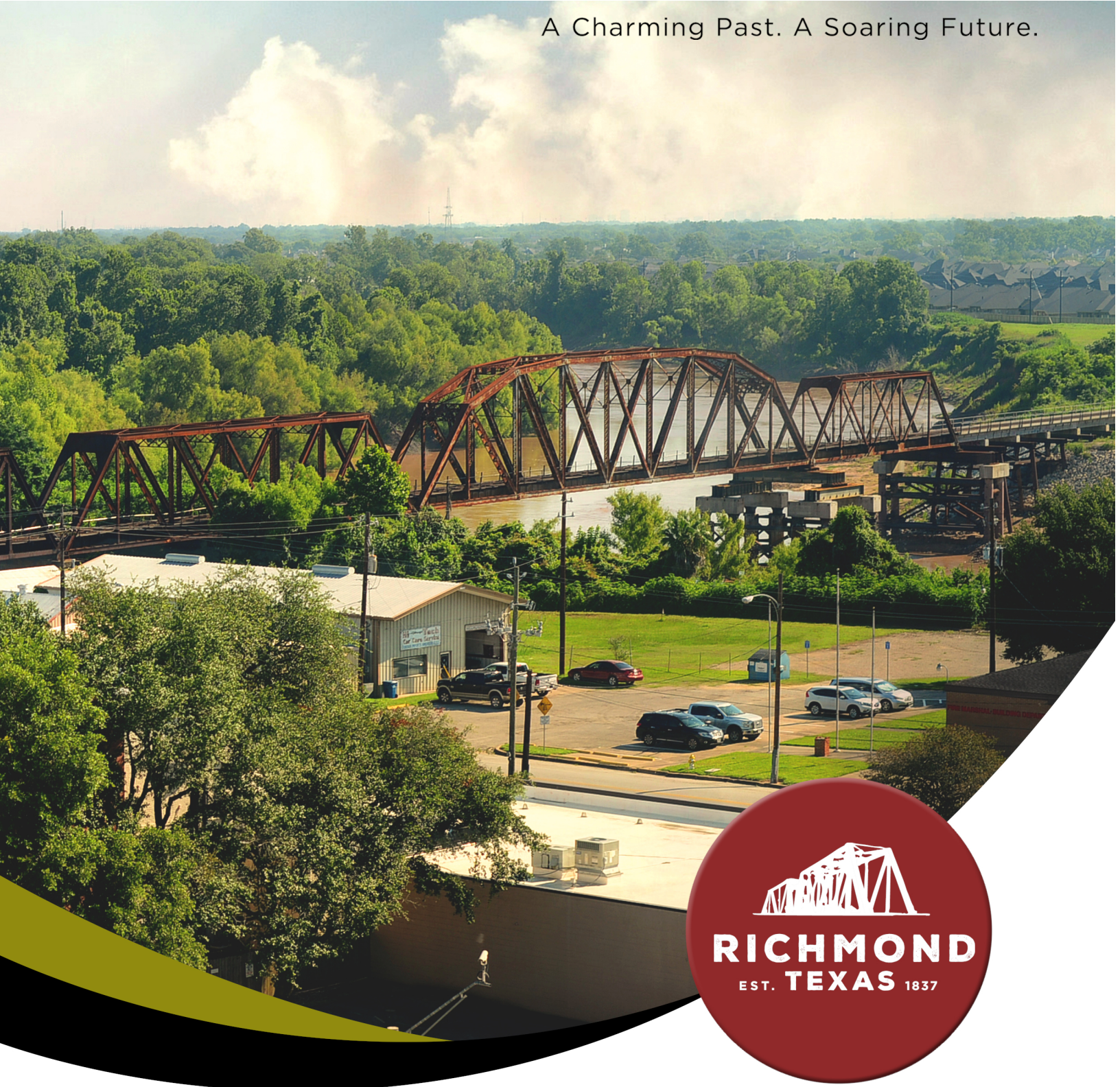


A Charming Past. A Soaring Future.



**Annual
Comprehensive
Financial Report**

**Fiscal Year Ended
September 30, 2021**



**Fiscal Year
2021**

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

CITY OF RICHMOND, TEXAS

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2021**

**Terri Vela
City Manager**

**Prepared by
Finance Department**

CITY OF RICHMOND, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

SEPTEMBER 30, 2021

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INTRODUCTORY SECTION

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REBECCA K HAAS
MAYOR
BARRY BEARD
ALEX BEMENT
CARL DROZD
TERRY R. GAUL
COMMISSIONERS

City of Richmond

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



February 21, 2022

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 annual comprehensive financial report of the City of Richmond, Texas (the “City”) for the fiscal year ended September 30, 2021, 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, 2021, 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, 2021, 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 4.47 square miles and serves a population of 12,578. 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 landowners 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 30th, 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, and the City Manager is authorized to make transfers within a fund and across departments. 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 for accounting purposes. The City, for management control, also approves the Special Revenue, Internal Service, Component Units and Capital Projects Funds. In order to facilitate budgetary controls, the City utilizes an encumbrance accounting system to aid in accomplishing budgetary control, and 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.

The total net taxable assessed value for all residential and commercial property in the City exceeded \$621 million for tax year 2021, which is approximately an 5.3% increase from tax year 2020, which exceeded \$589 million.

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 \$136,083 to \$140,321 or 3.11% for the fiscal year beginning October 1, 2021.

Unemployment has decreased from 8.5% in the previous year to 5.4% based on the latest data available from the Bureau of Labor Statistics for the Houston MSA. The decrease in the unemployment rate is primarily driven by the improvements from the COVID-19 global pandemic. The City continues to see strong sales tax growth and demand for single family residential housing.

The City continues to partner with property owners to strategically annex properties and engage in public private partnerships when appropriate in order to grow Richmond's local economy and increase city revenue. Richmond has seen an increase in economic opportunities that have resulted from executing its strategic planning objectives and from the rapid growth occurring in Fort Bend County as a whole. Richmond is located in the center of a wave of growth that is projected to grow the county's population to 2.25 million residents by the year 2050. Richmond's strategic infrastructure, investments and planning will help it to capitalize on this in the coming years.

The City of Richmond continues to engage in strategic activities to expand the city's tax base, increase sales tax revenues, and recruit new employment opportunities for residents. The City of Richmond was successful in deploying new economic development tools that will help to achieve these key economic goals. Some of the notable achievements include the extension of a legislation that will help to enable commercial development by capturing state shares of hotel taxes, sales taxes, and mixed-beverage taxes for the development of a hotel and convention center. Currently, the City has three hotels, a LaQuinta Inn & Suites, a Hilton Home2 Suites and a Marriott Fairfield Inn.

Richmond's many cultural and historic sites mixed with its collection of unique restaurants and stores make it an ideal location for regional tourism. The new revenue stream of hotel occupancy tax dollars will enable the City of Richmond to invest in activities such as tourism promotion and historic preservation that will further enhance this sector of the local economy.

New growth within the City is underway, with a new subdivision, Mandola Farms, being developed within the City that will add residential properties, as well as future commercial. Additionally, the former land where the Fort Bend Country Club Golf Course property occupied is under development. This property will be a residential, commercial and include a retail center providing additional amenities to the Veranda subdivision (a master planned community by Johnson Development), as well as the rest of the City and surrounding communities. In August, the City Commission approved a development agreement with Meritage Homes which includes the annexation of approximately 45 acres for a new residential subdivision.

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. The City officially adopts a budget for the General, Debt Service, and Enterprise Funds for accounting purposes, however, for management control, it also approves the Special Revenue, Internal Service, Component Units and Capital Projects 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 fund 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.

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 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 are 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 City has previously received the Government Finance Officers Association (“GFOA”) Certificate of Achievement for Excellence in Financial Reporting to the City for its Annual Comprehensive Financial Reports for 16 fiscal years, the most recent being awarded for the fiscal year ended September 30, 2019.

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 ACFR that satisfies both generally accepted accounting principles and applicable legal requirements.

We believe that our current ACFR meets the Certificate of Achievement Program’s requirements, and we are submitting it to the GFOA to determine its eligibility for the certificate.

Other Recent Awards:

- Platinum Scenic City Award, 2019 – Texas Municipal League
- Outstanding Public Water System Award, 2019 – Texas Commission on Environmental Quality
- Community of the Year Award, 2016 – American Planning Association Texas Chapter
- Comprehensive Master Plan of the Year – American Planning Association Texas Chapter
- Parks and Natural Areas Award (Special recognition for the Trails Master Plan), 2016 – Houston Galveston Area Council
- Distinguished Budget Presentation Award, Fiscal Year 2019 – Government Finance Officers Association
- City Manager, Terri Vela – Public Official of the Year, 2017 – University of Houston Master of Public Administration Program

- City Manager, Terri Vela – Public Official of the Year, 2017 – University of Houston Master of Public Administration Program
- City Attorney, Gary Smith – Outstanding Mentor of the Year, 2019– Texas City Attorney’s Association

Recognitions

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

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. Use 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 required base adjustments necessary to maintain service levels and projects consistent with existing master plans. Additionally, the major focus was on completing a salary survey to ensure the City is able to retain and attract a quality workforce.

Total taxable ad valorem value has experienced considerable growth with an increase of \$31,204,892, or approximately 5.3% over last year’s certified tax roll, which represents a total taxable ad valorem value of \$621,188,247. New improvements resulted in \$1,823,940 in added value for fiscal year 2022. The City lowered its property tax rate of \$0.687772 per \$100 value to \$0.680000 per \$100 valuation despite the disproportionately large amount of exempt property value.

The City’s sales tax revenue has seen strong increases over the last several years. For fiscal year 2022 sales tax projection were increased by approximately 2% over the fiscal year 2021 budget, which is conservative based on growth trends. By projecting a conservative sales tax figure for fiscal year 2022, the City has better positioned itself to deal with the inherent volatility associated with sales tax.

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, Justin Alderete, 402 Morton Street, Richmond, Texas 77469.

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,



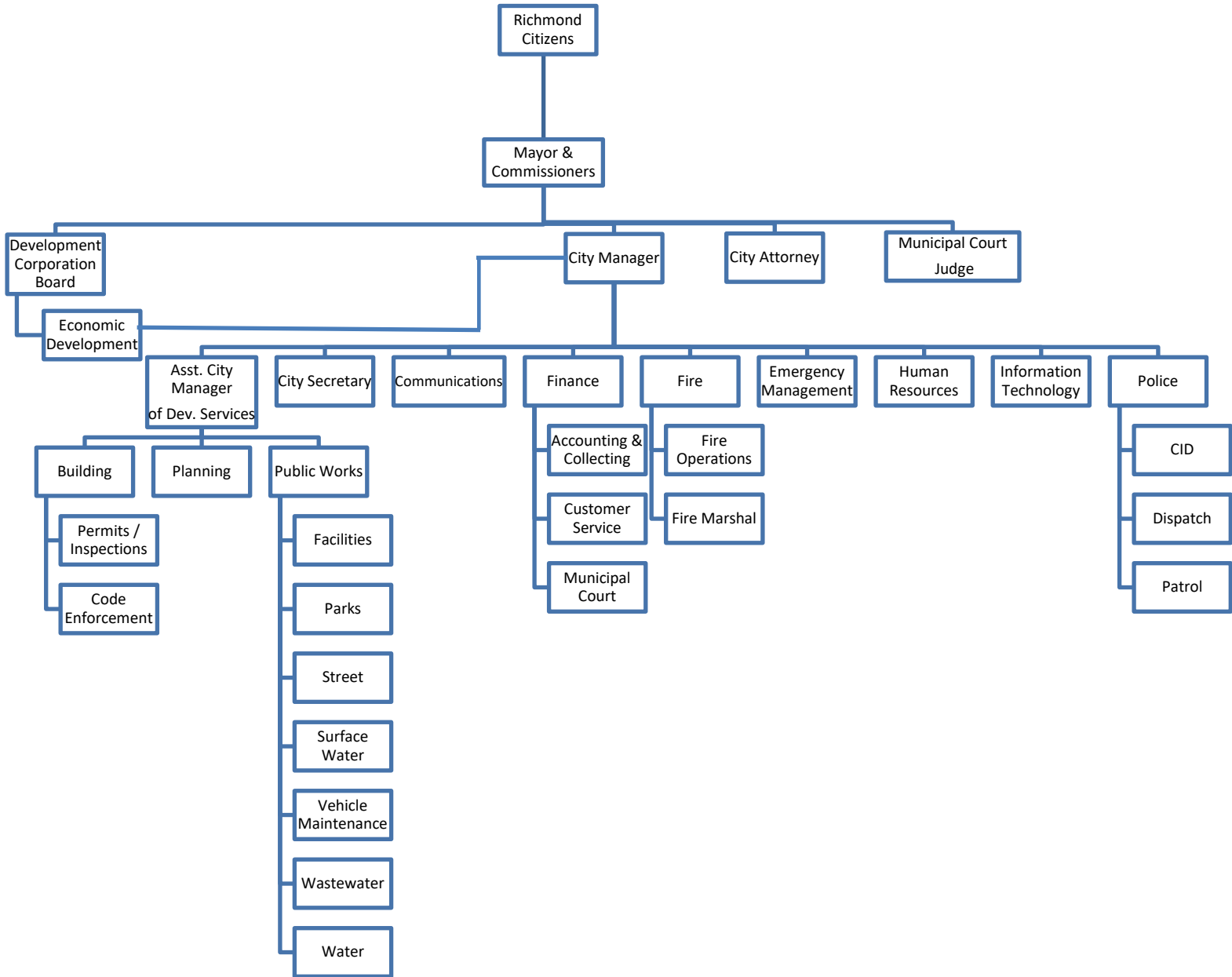
Terri Vela
City Manager



Justin Alderete
Finance Director

City of Richmond Organizational Structure

Organizational Structure



CITY OF RICHMOND, TEXAS

PRINCIPAL OFFICIALS

SEPTEMBER 30, 2021

Elected Officials	Position
Becky Haas	Mayor
Terry Gaul	Commissioner Position 1
Barry Beard	Commissioner Position 2
Carl Drozd	Commissioner Position 3
Alex BeMent	Commissioner Position 4

Key Staff	Position
Terri Vela	City Manager*
Gary Smith	City Attorney*
Laura Scarlato	City Secretary
Phyllis Ross	Municipal Court Judge*
Jeff Craig	Police Chief
Justin Alderete	Finance Director
Howard Christian	Assistant City Manager
Jose Abraham	Director of Planning
Mike Youngblood	Fire Chief
Shelly Freeman	Human Resources Director
Lori Bownds	Building Official

* City Commission Appointment

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Richmond, Texas, as of and for the year ended September 30, 2021, 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

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

Auditor's Responsibility

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

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

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

OFFICE LOCATIONS

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

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Richmond, Texas, as of September 30, 2021, 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.

Report on Summarized Comparative Information

We have previously audited the City of Richmond, Texas' fiscal year 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter – Change in Accounting Principle

As described in the notes to the financial statements, in fiscal year 2021, the City of Richmond adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. 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 February 21, 2022, 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 solely 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 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
February 21, 2022

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**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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, 2021.

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 \$81,681,509 (*net position*). Of this amount, \$12,317,489 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,858,342, an increase of \$3,044,120 over the prior year. Approximately 61% of this total amount, \$7,827,018, 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 14-16 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 16 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, Capital Projects and ARPA Grant Fund, which are considered to be major funds. Data from the other 12 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 17-22 of this report.

Proprietary Funds

The City maintains three 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, surface water, and solid waste 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 23-26 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-48 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 49-56 of the City's Annual Comprehensive 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 57 of the City's Annual Comprehensive 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 \$81,681,509 (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, 74%, 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, 2021 and 2020:

CONDENSED SCHEDULE OF NET POSITION
Current and Prior Year

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 16,644,995	\$ 11,706,724	\$ 18,150,977	\$ 16,139,983	\$ 34,795,972	\$ 27,846,707
Capital assets	<u>25,204,707</u>	<u>25,085,528</u>	<u>63,067,964</u>	<u>64,614,078</u>	<u>88,272,671</u>	<u>89,699,606</u>
Total assets	<u>41,849,702</u>	<u>36,792,252</u>	<u>81,218,941</u>	<u>80,754,061</u>	<u>123,068,643</u>	<u>117,546,313</u>
Deferred outflows of resources	<u>1,269,569</u>	<u>1,392,324</u>	<u>317,392</u>	<u>348,081</u>	<u>1,586,961</u>	<u>1,740,405</u>
Current and other liabilities	3,866,043	2,442,301	2,989,472	2,660,609	6,855,515	5,102,910
Long-term liabilities	<u>17,727,630</u>	<u>19,041,719</u>	<u>16,715,420</u>	<u>18,128,166</u>	<u>34,443,050</u>	<u>37,169,885</u>
Total liabilities	<u>21,593,673</u>	<u>21,484,020</u>	<u>19,704,892</u>	<u>20,788,775</u>	<u>41,298,565</u>	<u>42,272,795</u>
Deferred inflows of resources	<u>1,340,424</u>	<u>1,109,992</u>	<u>335,106</u>	<u>277,498</u>	<u>1,675,530</u>	<u>1,387,490</u>
Net position:						
Net investment in capital assets	12,044,188	10,832,841	48,257,681	48,602,170	60,301,869	59,435,011
Restricted	916,594	664,365	8,145,557	4,940,206	9,062,151	5,604,571
Unrestricted	<u>7,224,392</u>	<u>3,773,049</u>	<u>5,093,097</u>	<u>6,267,052</u>	<u>12,317,489</u>	<u>10,040,101</u>
Total net position	<u>\$ 20,185,174</u>	<u>\$ 15,270,255</u>	<u>\$ 61,496,335</u>	<u>\$ 59,809,428</u>	<u>\$ 81,681,509</u>	<u>\$ 75,079,683</u>

An additional portion of the City's net position, 11%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$12,317,489, may be used to meet the government's ongoing obligations to citizens and creditors.

The City's net position increased to \$81,681,509 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, 2021.

CONDENSED SCHEDULE OF CHANGES IN NET POSITION
For the Years Ended September 30, 2021 and 2020

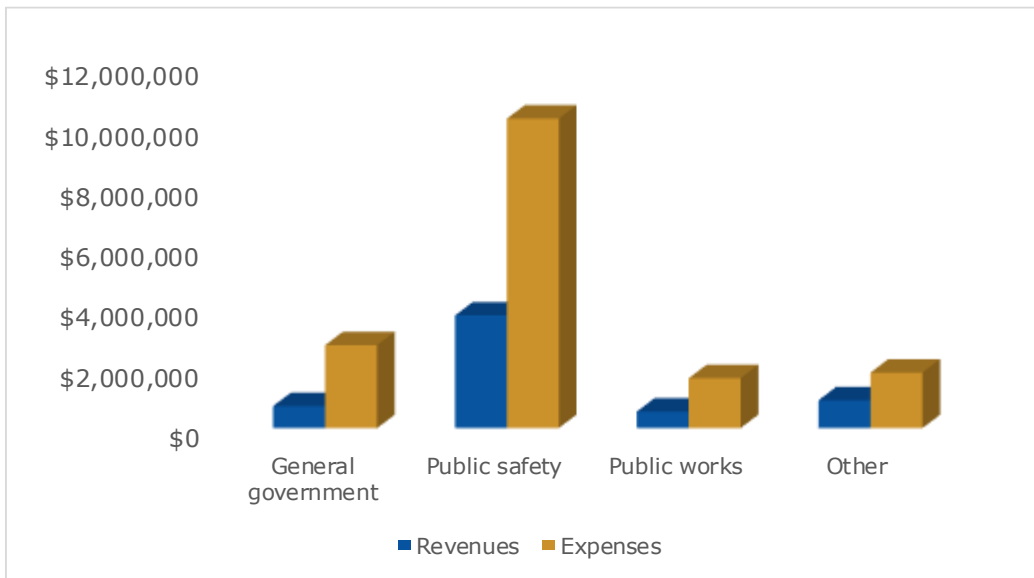
	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenue:						
Charges for services	\$ 4,264,844	\$ 3,743,058	\$ 15,271,490	\$ 15,896,923	\$ 19,536,334	\$ 19,639,981
Operating grants and contributions	1,449,708	1,482,706	-	-	1,449,708	1,482,706
Capital grants and contributions	198,727	1,842,167	-	-	198,727	1,842,167
General revenues:						
Property taxes	4,016,963	4,019,449	-	-	4,016,963	4,019,449
Sales and use taxes	7,288,162	5,679,465	-	-	7,288,162	5,679,465
Franchise taxes	743,722	768,560	-	-	743,722	768,560
Hotel/motel taxes	290,942	157,627	-	-	-	157,627
Unrestricted investment earnings	7,680	97,004	10,412	109,564	18,092	206,568
Miscellaneous	124,878	70,969	-	-	124,878	70,969
Total revenues	<u>18,385,626</u>	<u>17,861,005</u>	<u>15,281,902</u>	<u>16,006,487</u>	<u>33,667,528</u>	<u>33,867,492</u>
Expenses:						
General government	2,740,494	4,526,644	-	-	2,740,494	4,526,644
Public safety	10,230,935	8,921,781	-	-	10,230,935	8,921,781
Public works	1,647,963	1,808,182	-	-	1,647,963	1,808,182
Parks and recreation	1,128,751	813,004	-	-	1,128,751	813,004
Community development	243,888	311,391	-	-	243,888	311,391
Interest on long-term debt	462,865	620,302	-	-	462,865	620,302
Water and sewer	-	-	6,277,296	6,114,730	6,277,296	6,114,730
Surface water	-	-	2,717,748	2,417,188	2,717,748	2,417,188
Solid waste	-	-	1,615,762	1,476,646	1,615,762	1,476,646
Total expenses	<u>16,454,896</u>	<u>17,001,304</u>	<u>10,610,806</u>	<u>10,008,564</u>	<u>27,065,702</u>	<u>27,009,868</u>
Increases in net assets						
before transfers	1,930,730	1,144,823	4,671,096	5,712,801	6,601,826	6,857,624
Transfers	<u>2,852,101</u>	<u>3,087,000</u>	<u>(2,852,101)</u>	<u>(3,087,000)</u>	<u>-</u>	<u>-</u>
Change in net position	4,782,831	4,231,823	1,818,995	2,625,801	6,601,826	6,857,624
Net position, beginning	<u>15,402,343</u>	<u>11,038,432</u>	<u>59,677,340</u>	<u>57,183,627</u>	<u>75,079,683</u>	<u>68,222,059</u>
Net position, ending	<u>\$ 20,185,174</u>	<u>\$ 15,270,255</u>	<u>\$ 61,496,335</u>	<u>\$ 59,809,428</u>	<u>\$ 81,681,509</u>	<u>\$ 75,079,683</u>

Governmental Activities

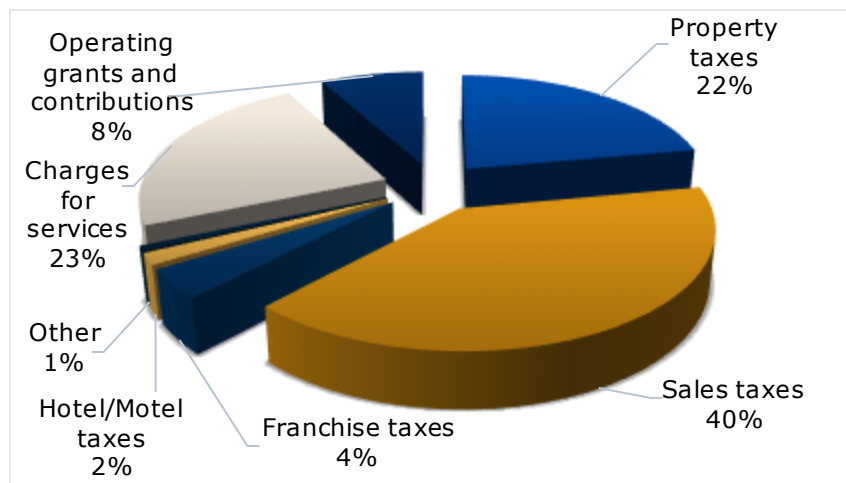
Governmental activities increased the City’s net position by approximately \$4,782,831, or 6%, of beginning net position. The key elements of this increase are as follows:

- Transfers from the water & sewer fund (business-type activity) are made to subsidize 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.
- Contributions from a private donor were recognized in the current year in the amount of \$184,705 that were used in the acquisition and construction of certain capital assets.

A comparison of program expenses to program revenues follows:

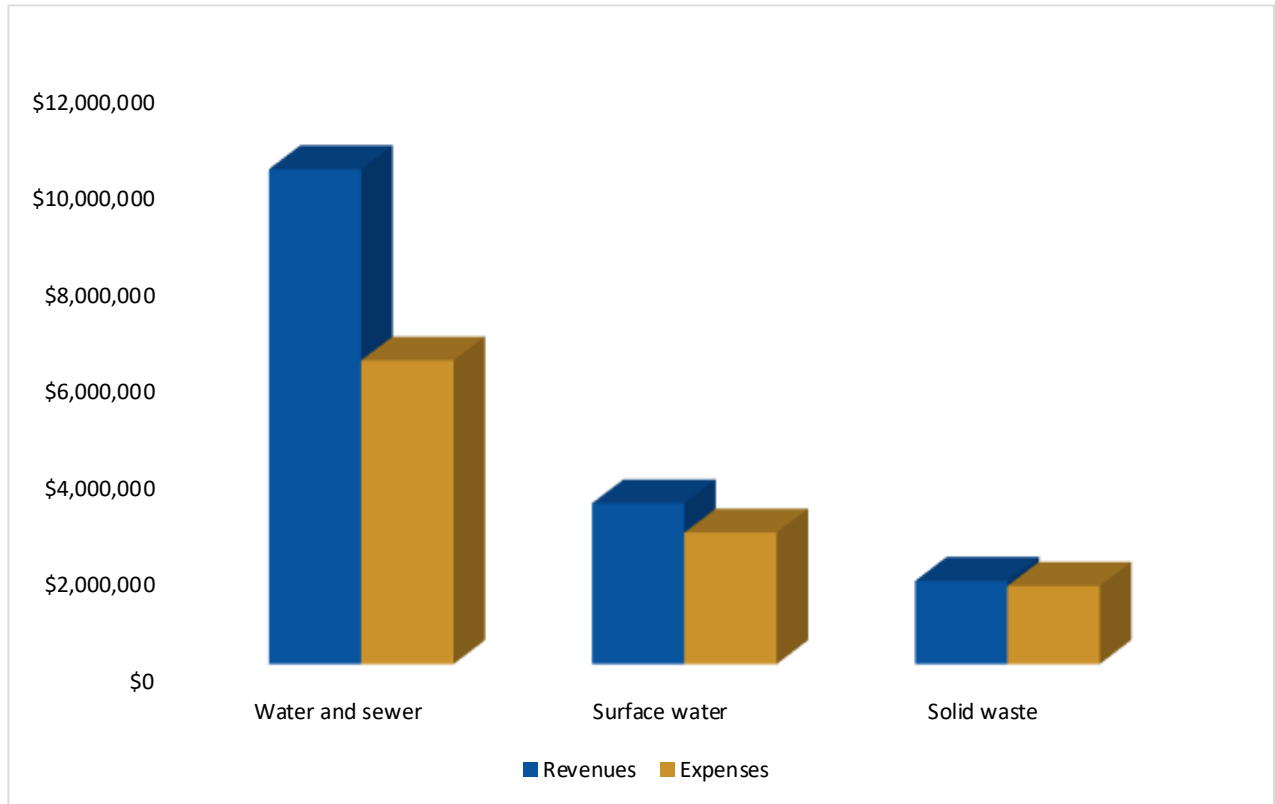


Revenue sources for governmental activities were distributed as follows:



Business-type Activities

Business-type activities increased the City's net position by \$1,818,995. This was caused by operating revenues (charges for services) of the business-type activities decreasing by \$625,433. 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, sewer and solid waste 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 \$12,858,342, a \$3,044,120 increase of from the prior year. Key elements of this increase include increases to sales tax revenues and charges for services.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance was \$7,827,018. The General Fund fund balance increased by \$2,087,867 from prior year 2020. The key elements of this increase are as follows:

- Transfers from the water & sewer fund (business-type activity) to subsidize 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.

- During the Fiscal Year, the General Fund experienced increases in sales taxes and licenses and permits revenues. The General Fund also experienced increases in charges for services and fines revenues, which had previously decreased due to the COVID-19 pandemic.

At the close of the current fiscal year, the City's capital projects fund reported a fund balance of \$2,579,769, an increase of \$695,732 from the prior year. The increase was due to transfers from other funds to subsidize current and future planned capital expenditures.

The ARPA Grant Fund, new for Fiscal Year 2021, was created to account for the proceeds of grant funds received under the American Rescue Plan Act. For the current year, no funds were expended and, therefore, all received amounts were recorded as unearned revenue; as a result, the fund ended with no fund balance.

At the close of the current fiscal year, the City's debt service fund reported a decrease in fund balance of \$7,212. The decrease is mainly attributed to a planned use of excess fund balance reserve.

Proprietary Funds

The City maintains three 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, its surface water utility, and its solid waste Utility.

Unrestricted net position of the Water and Sewer Enterprise Fund at the end of the year amounted to \$2,019,678, or 32% of annual operating and non-operating expenses for the fund.

The Surface Water Enterprise Fund had an unrestricted net position of \$2,866,862 or 105% of annual operating and non-operating expenses for the fund.

The Solid Waste Utility Fund had an unrestricted net position of \$206,557 or 13% 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 exceeded budgeted revenues by \$2,042,986 primarily from sales taxes growing even more strongly than anticipated. Appropriations exceeded expenditures, creating a positive variance to budget of \$1,304,123.

Capital Asset and Debt Administration

Capital Assets

At the end of fiscal year 2021, the City's governmental activities and business-type activities had invested and \$25,204,707 and \$63,067,964, respectively, in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents an increase of \$119,179, or 0% over the end of last fiscal year for the governmental activities' capital assets and a decrease of \$1,546,114 or 2% for the business-type activities.

The following table shows the balances at September 30, 2021 and 2020:

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 4,084,466	\$ 4,084,466	\$ 1,936,937	\$ 1,936,937	\$ 6,021,403	\$ 6,021,403
Construction in progress	2,228,050	5,582,722	7,319,419	6,802,765	9,547,469	12,385,487
Buildings and improvements	17,321,747	15,161,318	39,185,693	39,133,543	56,507,440	54,294,861
Infrastructure	11,533,744	9,838,647	53,538,033	53,354,525	65,071,777	63,193,172
Machinery and equipment	9,636,021	9,022,501	1,602,018	1,655,666	11,238,039	10,678,167
Less accumulated depreciation	(19,599,321)	(18,604,126)	(40,514,136)	(38,269,358)	(60,113,457)	(56,873,484)
Total capital assets	\$ <u>25,204,707</u>	\$ <u>25,085,528</u>	\$ <u>63,067,964</u>	\$ <u>64,614,078</u>	\$ <u>88,272,671</u>	\$ <u>89,699,606</u>

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

Long-term Liabilities

At the end of the current fiscal year, the City had total bonded debt outstanding of \$30,295,000. This is a decrease from the prior year of \$ 2,220,000 primarily due the regular scheduled payments of debt. The entire amount of bonded debt, to include general obligation and certificates of obligation, is backed by the full faith and credit of the City. A schedule of long-term debt at September 30, 2021 and 2020, follows:

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Bonds payable						
General obligation bonds	\$ 6,955,000	\$ 7,575,000	\$ -	\$ -	\$ 6,955,000	\$ 7,575,000
Certificates of obligation	6,980,000	7,400,000	16,360,000	17,540,000	23,340,000	24,940,000
Bond issuance premiums/discounts	673,771	743,921	653,298	693,327	1,327,069	1,437,248
Compensated absences	<u>1,116,141</u>	<u>576,054</u>	<u>145,598</u>	<u>126,390</u>	<u>1,261,739</u>	<u>702,444</u>
Totals	<u>\$ 15,724,912</u>	<u>\$ 16,294,975</u>	<u>\$ 17,158,896</u>	<u>\$ 18,359,717</u>	<u>\$ 32,883,808</u>	<u>\$ 34,654,692</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 General Obligation Refunding Bonds Series 2020 received a SPUR rating of 'AA-' as well. The outlook is stable.

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

Economic Factors

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 and FM 359 corridors.

Average home values in the City continue to increase as new investments are being made. This year, the values increased from \$136,083 to \$140,321 or 3.11% for the fiscal year beginning October 1, 2021.

Unemployment has decreased from 8.5% in the previous year to 5.4% based on the latest data available from the Bureau of Labor Statistics for the Houston MSA. The decrease in the unemployment rate is primarily driven by the improvements from the COVID-19 global pandemic. The City continues to see strong sales tax growth and demand for single family residential housing.

The City continues to partner with property owners to strategically annex properties and engage in public private partnerships when appropriate in order to grow Richmond's local economy and increase city revenue. Richmond has seen an increase in economic opportunities that have resulted from executing its strategic planning objectives and from the rapid growth occurring in Fort Bend County as a whole. Richmond is located in the center of a wave of growth that is projected to grow the county's population to 2.25 million residents by the year 2050. Richmond's strategic infrastructure, investments and planning will help it to capitalize on this in the coming years.

The City of Richmond continues to engage in strategic activities to expand the city's tax base, increase sales tax revenues, and recruit new employment opportunities for residents. The City of Richmond was successful in deploying new economic development tools that will help to achieve these key economic goals. One of the notable achievements include the extension of a legislation that will help to enable commercial development by capturing state shares of hotel taxes, sales taxes, and mixed-beverage taxes for the development of a hotel and convention center. Currently, the City has three hotels, a LaQuinta Inn & Suites, a Hilton Home2 Suites and a Marriott Fairfield Inn.

Richmond's many cultural and historic sites mixed with its collection of unique restaurants and stores make it an ideal location for regional tourism. The new revenue stream of hotel occupancy tax dollars will enable the City of Richmond to invest in activities such as tourism promotion and historic preservation that will further enhance this sector of the local economy.

New growth within the City is underway, with a new subdivision, Mandola Farms, being developed within the City that will add residential properties, as well as future commercial. Additionally, the former land where the Fort Bend Country Club Golf Course property occupied is under development. This property will be a residential, commercial and include a retail center providing additional amenities to the Veranda subdivision (a master planned community by Johnson Development), as well as the rest of the City and surrounding communities. In August, the City Commission approved a development agreement with Meritage Homes which includes the annexation of approximately 45 acres for a new residential subdivision.

Since the City passed its Charter in 2013, under the leadership of City Manager, Terri Vela, it has positioned itself to stand above other cities to protect its growth and ensure the economic viability of the community. A few of the accomplishments put into place since 2013 are as follows:

- Planning and 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. It’s important to note that the City of Houston does not have zoning.
- 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. Use 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 required base adjustments necessary to maintain service levels and projects consistent with existing master plans. Additionally, the major focus was on completing a salary survey to ensure the City is able to retain and attract a quality workforce.

Total taxable ad valorem value has experienced considerable growth with an increase of \$31,204,892, or approximately 5.3% over last year's certified tax roll, which represents a total taxable ad valorem value of \$621,188,247. New improvements resulted in \$1,823,940 in added value for fiscal year 2022. The City lowered its property tax rate of \$0.687772 per \$100 value to \$0.680000 per \$100 valuation despite the disproportionately large amount of exempt property value.

The City's sales tax revenue has seen strong increases over the last several years. For fiscal year 2022 sales tax projections were increased by approximately 2% over the fiscal year 2021 budget, which is conservative based on growth trends. By projecting a conservative sales tax figure for fiscal year 2022, the City has better positioned itself to deal with the inherent volatility associated with sales tax.

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, Justin Alderete, 402 Morton Street, Richmond, Texas 77469.

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**BASIC
FINANCIAL STATEMENTS**

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CITY OF RICHMOND, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2021

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 14,521,452	\$ 15,893,367	\$ 30,414,819	\$ 5,476,749
Accounts receivable	1,761,087	2,257,610	4,018,697	371,951
Due from other governments	353,248	-	353,248	-
Other receivables	9,208	-	9,208	5,000
Capital assets, not subject to depreciation:	6,312,516	9,256,356	15,568,872	-
Capital assets, net of depreciation:	<u>18,892,191</u>	<u>53,811,608</u>	<u>72,703,799</u>	-
Total capital assets	<u>25,204,707</u>	<u>63,067,964</u>	<u>88,272,671</u>	-
Total assets	<u>41,849,702</u>	<u>81,218,941</u>	<u>123,068,643</u>	<u>5,853,700</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	1,160,408	290,102	1,450,510	-
Deferred outflows related to OPEB	<u>109,161</u>	<u>27,290</u>	<u>136,451</u>	-
Total deferred outflows of resources	<u>1,269,569</u>	<u>317,392</u>	<u>1,586,961</u>	-
LIABILITIES				
Accounts payable	531,088	516,526	1,047,614	38,151
Accrued liabilities	381,566	86,529	468,095	-
Deposits	-	1,101,538	1,101,538	-
Unearned Revenue	1,729,619	-	1,729,619	-
Accrued interest payable	42,156	45,319	87,475	-
Noncurrent liabilities:				
Due within one year:				
Long-term debt	1,181,614	1,239,560	2,421,174	-
Due in more than one year:				
Long-term debt	14,543,298	15,919,336	30,462,634	-
Net pension liability	2,761,676	690,420	3,452,096	-
Total OPEB liability	<u>422,656</u>	<u>105,664</u>	<u>528,320</u>	-
Total liabilities	<u>21,593,673</u>	<u>19,704,892</u>	<u>41,298,565</u>	<u>38,151</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	1,299,232	324,808	1,624,040	-
Deferred inflows related to OPEB	<u>41,192</u>	<u>10,298</u>	<u>51,490</u>	-
Total deferred inflows of resources	<u>1,340,424</u>	<u>335,106</u>	<u>1,675,530</u>	-
NET POSITION				
Net investment in capital assets	12,044,188	48,257,681	60,301,869	-
Restricted for:				
Debt service	177,173	-	177,173	-
Community projects	29,929	-	29,929	5,815,549
Public safety	218,648	-	218,648	-
Promotion of tourism	490,844	-	490,844	-
Capital projects	-	8,145,557	8,145,557	-
Unrestricted	<u>7,224,392</u>	<u>5,093,097</u>	<u>12,317,489</u>	-
Total net position	<u>\$ 20,185,174</u>	<u>\$ 61,496,335</u>	<u>\$ 81,681,509</u>	<u>\$ 5,815,549</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, 2021

Function/Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 2,740,494	\$ 1,100	\$ 723,968	\$ -
Public safety	10,230,935	3,252,382	471,752	-
Public works	1,647,963	346,486	-	198,727
Culture and recreation	1,128,751	664,876	-	-
Community development	243,888	-	-	-
Interest on long-term debt	462,865	-	253,988	-
Total governmental activities	<u>16,454,896</u>	<u>4,264,844</u>	<u>1,449,708</u>	<u>198,727</u>
Business-type activities:				
Water and sewer	6,277,296	10,230,733	-	-
Surface water	2,717,748	3,322,236	-	-
Solid waste	1,615,762	1,718,521	-	-
Total business-type activities	<u>10,610,806</u>	<u>15,271,490</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 27,065,702</u>	<u>\$ 19,536,334</u>	<u>\$ 1,449,708</u>	<u>\$ 198,727</u>
Component Units				
Development Corporation of Richmond	\$ 1,926,964	\$ -	\$ -	\$ -
Total component units	<u>\$ 1,926,964</u>			
			General revenues:	
			Taxes:	
			Property taxes	
			Sales and use taxes	
			Franchise taxes	
			Hotel/motel taxes	
			Unrestricted investment earnings	
			Miscellaneous	
			Transfers	
			Total general revenues and transfers	
			Change in net position	
			Net position, beginning	
			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 Unit
Governmental Activities	Business-type Activities	Total	Governmental Activities
\$(2,015,426)	\$ -	\$(2,015,426)	\$ -
(6,506,801)	-	(6,506,801)	-
(1,102,750)	-	(1,102,750)	-
(463,875)	-	(463,875)	-
(243,888)	-	(243,888)	-
(208,877)	-	(208,877)	-
<u>(10,541,617)</u>	<u>-</u>	<u>(10,541,617)</u>	<u>-</u>
-	3,953,437	3,953,437	-
-	604,488	604,488	-
<u>-</u>	<u>102,759</u>	<u>102,759</u>	<u>-</u>
<u>-</u>	<u>4,660,684</u>	<u>4,660,684</u>	<u>-</u>
<u>\$(10,541,617)</u>	<u>\$ 4,660,684</u>	<u>\$(5,880,933)</u>	<u>-</u>
			\$ (1,926,964)
			<u>\$(1,926,964)</u>
4,016,963	-	4,016,963	-
7,288,162	-	7,288,162	2,162,594
743,722	-	743,722	-
290,942	-	290,942	-
7,680	10,412	18,092	514
124,878	-	124,878	5,610
<u>2,852,101</u>	<u>(2,852,101)</u>	<u>-</u>	<u>-</u>
<u>15,324,448</u>	<u>(2,841,689)</u>	<u>12,482,759</u>	<u>2,168,718</u>
4,782,831	1,818,995	6,601,826	241,754
<u>15,402,343</u>	<u>59,677,340</u>	<u>75,079,683</u>	<u>5,573,795</u>
<u>\$ 20,185,174</u>	<u>\$ 61,496,335</u>	<u>\$ 81,681,509</u>	<u>\$ 5,815,549</u>

CITY OF RICHMOND, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2021

	<u>General Fund</u>	<u>Capital Projects</u>
ASSETS		
Cash and cash equivalents	\$ 8,542,562	\$ 2,750,022
Accounts receivable, net	151,933	-
Taxes receivable, net	1,474,884	-
Other receivables	8,182	1,026
Due from other governments	<u>353,248</u>	<u>-</u>
 Total assets	 <u>10,530,809</u>	 <u>2,751,048</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES		
Liabilities:		
Accounts payable	506,391	-
Accrued liabilities	381,566	-
Unearned revenue	<u>-</u>	<u>171,279</u>
Total liabilities	<u>887,957</u>	<u>171,279</u>
Deferred Inflows of Resources		
Unavailable revenues - property taxes	121,941	-
Unavailable revenues - court fines	<u>151,933</u>	<u>-</u>
Total deferred inflows of resources	<u>273,874</u>	<u>-</u>
Fund balances:		
Restricted:		
Debt service	-	-
Capital projects	-	2,579,769
Public safety	-	-
Promotion of tourism	-	-
Community projects	-	-
Assigned - Subsequent year's appropriation of fund balance	1,541,960	-
Unassigned	<u>7,827,018</u>	<u>-</u>
Total fund balances	<u>9,368,978</u>	<u>2,579,769</u>
Total liabilities, Deferred inflows of resources, and fund balances	\$ <u>10,530,809</u>	\$ <u>2,751,048</u>

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

Debt Service	ARPA Grant Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 160,847	\$ 1,558,340	\$ 662,452	\$ 13,674,223
-	-	-	151,933
52,375	-	81,895	1,609,154
-	-	-	9,208
-	-	-	353,248
<u>213,222</u>	<u>1,558,340</u>	<u>744,347</u>	<u>15,797,766</u>
-	-	500	506,891
-	-	-	381,566
-	1,558,340	-	1,729,619
-	1,558,340	500	2,618,076
47,474	-	-	169,415
-	-	-	151,933
<u>47,474</u>	<u>-</u>	<u>-</u>	<u>321,348</u>
165,748	-	-	165,748
-	-	4,426	2,584,195
-	-	218,648	218,648
-	-	490,844	490,844
-	-	29,929	29,929
-	-	-	1,541,960
-	-	-	7,827,018
<u>165,748</u>	<u>-</u>	<u>743,847</u>	<u>12,858,342</u>
\$ <u>213,222</u>	\$ <u>1,558,340</u>	\$ <u>744,347</u>	\$ <u>15,797,766</u>

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CITY OF RICHMOND, TEXAS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2021

Total fund balance, governmental funds	\$ 12,858,342
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.	24,940,560
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 - property taxes	169,415
Unavailable revenue - court fines	151,933
An internal service fund is used to pay health insurance premiums. The governmental funds' share of the assets and liabilities of the internal service fund service fund are included in governmental activities in the statement of net position.	1,087,179
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	(13,935,000)
Premium/discount on bonds payable	(673,771)
Accrued long-term interest	(42,156)
Compensated absences	(1,116,141)
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	1,160,408
Deferred outflows related to OPEB	109,161
Net Pension Liability	(2,761,676)
Total OPEB Liability	(422,656)
Deferred inflows related to pensions	(1,299,232)
Deferred inflows related to OPEB	<u>(41,192)</u>
Net position of governmental activities in the statement of net position	\$ <u>20,185,174</u>

CITY OF RICHMOND, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

	<u>General Fund</u>	<u>Capital Projects</u>
REVENUES		
Taxes:		
Property taxes	\$ 3,003,648	\$ -
Sales and use taxes	7,288,162	-
Franchise taxes	743,722	-
Hotel/motel taxes	-	-
Fines and forfeitures	181,516	-
License and permits	664,876	-
Intergovernmental	1,219,610	-
Charges for services	3,328,942	-
Investment earnings	5,461	1,704
Contributions	-	184,705
Miscellaneous	138,900	-
Total revenues	<u>16,574,837</u>	<u>186,409</u>
EXPENDITURES		
Current:		
General government	3,914,461	-
Public safety	9,422,889	-
Public works	1,471,454	-
Culture and recreation	951,721	-
Community development	255,227	-
Capital outlay	40,208	614,774
Debt service:		
Principal	-	-
Interest and other charges	-	-
Total expenditures	<u>16,055,960</u>	<u>614,774</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>518,877</u>	<u>(428,365)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	2,791,255	1,124,097
Transfers out	(1,304,199)	-
Insurance recovery	81,934	-
Total other financing sources (uses)	<u>1,568,990</u>	<u>1,124,097</u>
NET CHANGE IN FUND BALANCES	2,087,867	695,732
FUND BALANCES, BEGINNING	<u>7,281,111</u>	<u>1,884,037</u>
FUND BALANCES, ENDING	<u>\$ 9,368,978</u>	<u>\$ 2,579,769</u>

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

Debt Service	ARPA Grant Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 1,073,414	\$ -	\$ -	\$ 4,077,062
-	-	-	7,288,162
-	-	-	743,722
-	-	290,942	290,942
-	-	11,080	192,596
-	-	-	664,876
253,988	-	4,442	1,478,040
-	-	-	3,328,942
282	-	233	7,680
-	-	-	184,705
-	-	-	138,900
<u>1,327,684</u>	<u>-</u>	<u>306,697</u>	<u>18,395,627</u>
-	-	-	3,914,461
-	-	2,724	9,425,613
-	-	-	1,471,454
-	-	-	951,721
-	-	-	255,227
-	-	36,240	691,222
1,040,000	-	-	1,040,000
<u>535,844</u>	<u>-</u>	<u>-</u>	<u>535,844</u>
<u>1,575,844</u>	<u>-</u>	<u>38,964</u>	<u>18,285,542</u>
(248,160)	-	267,733	110,085
240,948	-	-	4,156,300
-	-	-	(1,304,199)
-	-	-	81,934
<u>240,948</u>	<u>-</u>	<u>-</u>	<u>2,852,101</u>
(7,212)	-	267,733	3,044,120
<u>172,960</u>	<u>-</u>	<u>476,114</u>	<u>9,814,222</u>
<u>\$ 165,748</u>	<u>\$ -</u>	<u>\$ 743,847</u>	<u>\$ 12,858,342</u>

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

CITY OF RICHMOND, TEXAS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

Net change in fund balances - total governmental funds: \$ 3,044,120

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

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

Capital outlay	990,143
Depreciation expense	(1,135,111)

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.

(91,935)

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.

1,040,000

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.

Bond premiums/discounts	70,150
-------------------------	--------

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

Changes in accrued interest	2,829
Changes in accrued compensated absences	(540,087)

Pension expense does not represent a use of current resources and is not recognized in the fund financial statements.

344,587

OPEB expense does not represent a use of current resources and is not recognized in the fund financial statements.

(37,757)

The net revenue (expense) of certain activities of internal service funds is reported with governmental activities.

1,095,892

Change in net position of governmental activities \$ 4,782,831

CITY OF RICHMOND, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2021

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Water and Wastewater	Surface Water	Solid Waste	Total Enterprise Funds	Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 10,790,113	\$ 5,026,468	\$ 76,786	\$ 15,893,367	\$ 847,229
Accounts receivable, net	<u>1,821,782</u>	<u>137,649</u>	<u>298,179</u>	<u>2,257,610</u>	<u>-</u>
Total current assets	<u>12,611,895</u>	<u>5,164,117</u>	<u>374,965</u>	<u>18,150,977</u>	<u>847,229</u>
Non-current assets:					
Capital assets					
Land and improvements	1,811,714	125,223	-	1,936,937	-
Construction in progress	7,319,419	-	-	7,319,419	-
Infrastructure	50,378,587	3,159,446	-	53,538,033	-
Buildings	10,124,837	23,235,822	-	33,360,659	-
Improvement other than buildings	5,189,629	635,405	-	5,825,034	-
Equipment and furniture	1,579,851	22,167	-	1,602,018	264,147
Less accumulated depreciation	<u>(39,019,746)</u>	<u>(1,494,390)</u>	<u>-</u>	<u>(40,514,136)</u>	<u>-</u>
Total non-current assets	<u>37,384,291</u>	<u>25,683,673</u>	<u>-</u>	<u>63,067,964</u>	<u>264,147</u>
Total assets	<u>49,996,186</u>	<u>30,847,790</u>	<u>374,965</u>	<u>81,218,941</u>	<u>1,111,376</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	290,102	-	-	290,102	-
Deferred outflows related to OPEB	<u>27,290</u>	<u>-</u>	<u>-</u>	<u>27,290</u>	<u>-</u>
Total deferred outflows of resources	<u>317,392</u>	<u>-</u>	<u>-</u>	<u>317,392</u>	<u>-</u>
LIABILITIES					
Current liabilities:					
Accounts payable	306,804	41,314	168,408	516,526	24,197
Accrued liabilities	78,922	7,607	-	86,529	-
Deposits	1,101,538	-	-	1,101,538	-
Accrued interest payable	-	45,319	-	45,319	-
Compensated absences	14,560	-	-	14,560	-
Bonds, notes and loans payable	<u>-</u>	<u>1,225,000</u>	<u>-</u>	<u>1,225,000</u>	<u>-</u>
Total current liabilities	<u>1,501,824</u>	<u>1,319,240</u>	<u>168,408</u>	<u>2,989,472</u>	<u>24,197</u>
Non-current liabilities:					
Compensated absences	131,038	-	-	131,038	-
Bonds, notes and loans payable	-	15,788,298	-	15,788,298	-
Net pension liability	690,420	-	-	690,420	-
Total OPEB liability	<u>105,664</u>	<u>-</u>	<u>-</u>	<u>105,664</u>	<u>-</u>
Total non-current liabilities	<u>927,122</u>	<u>15,788,298</u>	<u>-</u>	<u>16,715,420</u>	<u>-</u>
Total liabilities	<u>2,428,946</u>	<u>17,107,538</u>	<u>168,408</u>	<u>19,704,892</u>	<u>24,197</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	324,808	-	-	324,808	-
Deferred inflows related to OPEB	<u>10,298</u>	<u>-</u>	<u>-</u>	<u>10,298</u>	<u>-</u>
Total deferred inflows of resources	<u>335,106</u>	<u>-</u>	<u>-</u>	<u>335,106</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	37,384,291	10,873,390	-	48,257,681	264,147
Restricted for capital projects	8,145,557	-	-	8,145,557	-
Unrestricted	<u>2,019,678</u>	<u>2,866,862</u>	<u>206,557</u>	<u>5,093,097</u>	<u>823,032</u>
Total net position	<u>\$ 47,549,526</u>	<u>\$ 13,740,252</u>	<u>\$ 206,557</u>	<u>\$ 61,496,335</u>	<u>\$ 1,087,179</u>

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

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CITY OF RICHMOND, TEXAS

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

	Business-Type Activities - Enterprise Funds				Governmental
	Water and Wastewater	Surface Water	Solid Waste	Total Enterprise Funds	Internal Service funds
OPERATING REVENUES					
Charges for services:					
Water	\$ 4,445,530	\$ -	\$ -	\$ 4,445,530	\$ -
Sewer	3,898,370	-	-	3,898,370	-
Groundwater reduction	-	3,317,916	-	3,317,916	-
Solid waste collection	-	-	\$ 1,698,816	\$ 1,698,816	-
Tapping fees	142,377	-	-	142,377	-
Service charges	154,963	-	-	-	-
Interfund charges	-	-	-	-	3,238,113
Impact fees:					
Water	900,329	-	-	900,329	-
Sewer	688,564	-	-	688,564	-
Miscellaneous	600	4,320	19,705	24,625	87,660
Total operating revenues	<u>10,230,733</u>	<u>3,322,236</u>	<u>1,718,521</u>	<u>15,116,527</u>	<u>3,325,773</u>
OPERATING EXPENSES					
Personnel services	2,305,751	273,089	-	2,578,840	-
Supplies	176,340	176,816	-	353,156	-
Contracted services	1,137,305	561,334	1,615,762	3,314,401	-
Insurance Premiums	-	-	-	-	2,229,881
Utilities	392,076	542,414	-	934,490	-
Other	484,071	45,233	-	529,304	-
Depreciation	1,781,753	600,307	-	2,382,060	-
Total operating expenses	<u>6,277,296</u>	<u>2,199,193</u>	<u>1,615,762</u>	<u>8,476,489</u>	<u>2,229,881</u>
OPERATING INCOME	<u>3,953,437</u>	<u>1,123,043</u>	<u>102,759</u>	<u>5,076,480</u>	<u>1,095,892</u>
NONOPERATING REVENUES (EXPENSES)					
Interest and investment revenue	6,066	4,346	-	10,412	-
Interest expense	-	(518,555)	-	(518,555)	-
Total non-operating revenues (expenses)	<u>6,066</u>	<u>(514,209)</u>	<u>-</u>	<u>(508,143)</u>	<u>-</u>
INCOME BEFORE TRANSFERS	3,959,503	608,834	102,759	4,671,096	1,095,892
Transfers in	1,272,108	-	235,886	1,507,994	-
Transfers out	(3,032,203)	(1,327,892)	-	(4,360,095)	-
CHANGE IN NET POSITION	2,199,408	(719,058)	338,645	1,818,995	1,095,892
NET POSITION, BEGINNING	<u>45,350,118</u>	<u>14,459,310</u>	<u>(132,088)</u>	<u>59,677,340</u>	<u>(8,713)</u>
NET POSITION, ENDING	<u>\$ 47,549,526</u>	<u>\$ 13,740,252</u>	<u>\$ 206,557</u>	<u>\$ 61,496,335</u>	<u>\$ 1,087,179</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, 2021

	Business-Type Activities - Enterprise Funds		
	Water and Wastewater	Surface Water	Solid Waste
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 10,228,065	\$ 3,375,800	\$ 1,420,342
Receipts from interfund charges for insurance premiums	-	-	-
interfund charges for use of city equipment	-	-	-
Payments to employees for salaries and benefits	(2,269,354)	(1,553,653)	-
Payments to suppliers and service providers	(2,363,250)	(49,623)	(1,579,442)
Net cash provided (used) by operating activities	<u>5,595,461</u>	<u>1,772,524</u>	<u>(159,100)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	1,272,108	-	235,886
Transfers to other funds	(3,032,203)	(1,327,892)	-
Net cash provided (used) by noncapital financing activities	<u>(1,760,095)</u>	<u>(1,327,892)</u>	<u>235,886</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on capital debt	-	(1,180,000)	-
Interest paid on capital debt	(6,797)	(561,534)	-
Acquisition and construction of capital assets	(835,946)	-	-
Net cash used for capital and related financing activities	<u>(842,743)</u>	<u>(1,741,534)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	6,066	4,346	-
Net cash provided by investing activities	<u>6,066</u>	<u>4,346</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,998,689	(1,292,556)	76,786
CASH AND CASH EQUIVALENTS, BEGINNING	<u>7,791,424</u>	<u>6,319,024</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 10,790,113</u>	<u>\$ 5,026,468</u>	<u>\$ 76,786</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 3,953,437	\$ 1,123,043	\$ 102,759
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,781,753	600,307	-
Decrease (increase) in accounts receivable	(115,468)	53,564	-
Decrease (increase) in customer receivable	-	-	(298,179)
Decrease (increase) in deferred outflows of resources relating to pensions	40,845	-	-
Decrease (increase) in deferred outflows of resources relating to OPEB	(10,156)	-	-
Increase (decrease) in accrued liabilities	(4,788)	(3,116)	-
Increase (decrease) in accounts payable	(74,774)	(1,274)	36,320
Increase (decrease) in customer deposits	112,800	-	-
Increase (decrease) in accrued compensated absences	19,208	-	-
Increase (decrease) in net pension liability	(182,007)	-	-
Increase (decrease) in total OPEB liability	17,003	-	-
Increase (decrease) in deferred inflows of resources relating to pensions	55,016	-	-
Increase (decrease) in deferred inflows of resources relating to pensions	2,592	-	-
Net cash provided (used) by operating activities	<u>\$ 5,595,461</u>	<u>\$ 1,772,524</u>	<u>\$(159,100)</u>

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

Busniess-Type Activities	Governmental Activities
Total Enterprise Funds	Internal Service Funds
\$ 15,024,207	\$ -
-	2,242,113
-	1,083,660
(3,823,007)	-
<u>(3,992,315)</u>	<u>(2,242,085)</u>
<u>7,208,885</u>	<u>1,083,688</u>
1,507,994	-
<u>(4,360,095)</u>	<u>-</u>
<u>(2,852,101)</u>	<u>-</u>
(1,180,000)	-
(568,331)	-
<u>(835,946)</u>	<u>(239,950)</u>
<u>(2,584,277)</u>	<u>(239,950)</u>
10,412	-
<u>10,412</u>	<u>-</u>
1,782,919	843,738
<u>14,110,448</u>	<u>3,491</u>
\$ <u>15,893,367</u>	\$ <u>847,229</u>
5,179,239	\$ 1,095,892
2,382,060	-
(61,904)	-
(298,179)	-
40,845	-
(10,156)	-
(7,904)	-
(39,728)	(12,204)
112,800	-
19,208	-
(182,007)	-
17,003	-
55,016	-
<u>2,592</u>	<u>-</u>
\$ <u>7,208,885</u>	\$ <u>1,083,688</u>

CITY OF RICHMOND, TEXAS

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND

SEPTEMBER 30, 2021

	<u>Custodial Fund</u>
ASSETS	
Cash and cash equivalents	\$ 191,459
Customer accounts receivable	<u>102,906</u>
Total Assets	<u>294,365</u>
LIABILITIES	
Accounts Payable	1,951
Due to contracting entity	<u>119,367</u>
Total Liabilities	<u>121,318</u>
NET POSITION	
Restricted for contracting entity	<u>173,047</u>
Total net position	<u>\$ 173,047</u>

CITY OF RICHMOND, TEXAS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND

SEPTEMBER 30, 2021

	<u>Custodial Fund</u>
ADDITIONS	
Collections on-behalf of contracting entity	\$ 427,192
Total additions	<u>427,192</u>
DEDUCTIONS	
Disbursements to contracting entity	<u>408,170</u>
Total Expenses	<u>408,170</u>
CHANGE IN NET POSITION	19,022
NET POSITION, BEGINNING	-
PRIOR PERIOD ADJUSTMENT	<u>154,025</u>
NET POSITION, ENDING	<u>\$ 173,047</u>

CITY OF RICHMOND, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

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

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 Development Corporation of Richmond as a discretely presented component unit. 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.

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

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. The Board of Directors and the City Commission are not substantively the same. 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.

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

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.

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

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Funds. 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, 2021, 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, 2021, 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 **ARPA Grant Fund** is used to account for the accumulation of resources that are received from the American Rescue Plan Act and the related project costs.

In addition, the City reports the following governmental fund types:

Special Revenue Funds: Accounts for transactions related to resources received and used for restricted or specific purposes.

Proprietary Funds. The City's business type activities consist of the following proprietary funds:

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

The **Surface Water Enterprise Fund** is used to account for the operations of the surface water facilities revenues collected for the reduction of groundwater usage.

The **Solid Waste Enterprise Fund** is used to account for the operations of the solid waste division and related recycling and educational initiatives.

The **Internal Service Funds** are used to account for revenues and expenses related to services provided to parties inside the City. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. The City's internal service funds account for the City's health insurance premiums and the costs of certain vehicles and equipment. Because the principal users of the internal services are the City's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

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.

Fiduciary Funds. These funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support city programs, these funds are not included in the government-wide statements.

The City reports one type of fiduciary fund. The **Custodial Fund** This fund is used to account for assets held and collected on behalf of Fort Bend County Municipal Utility District 140. The City bills and collects the District’s utility revenues directly from its customers and also accounts for the purchase of utilities from the City’s enterprise funds.

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. Unearned Revenue

Unearned revenue represents amounts received from grantors in excess of qualifying expenditures for grant programs as of the end of the fiscal year.

6. 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.

7. 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."

8. 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.

9. 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.

10. 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.

11. 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.

- 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.
- Difference in expected and actual actuarial experience - 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 actuarial 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.

12. 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.

13. 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.

14. 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.

15. 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.

16. 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.

17. 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

Statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. Agencies, municipal bonds, managed public fund investment pools, and certificates of deposit

The Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code (the "Act"), provide for the creation of public funds investment pools, TexPool, and Texas Cooperative Liquid Assets Securities System Trust ("TexasCLASS"), such as through which political subdivisions and other entities may invest public funds.

TexPool, and TexasClass have a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

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 City's investments for the year ended September 30, 2021 are as follows:

	<u>Carrying Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Risk</u>
Primary government:			
TexPool Prime	\$ 10,013,457	53	AAAm
TexasClass	<u>13,312,155</u>	53	AAAm
Total primary government	<u>\$ 23,325,612</u>		

At September 30, 2021, 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:

	Percentage of Portfolio (Maximum)
Repurchase Agreements	50%
Certificates of Deposit	50%
Commercial Paper	25%
U.S. Treasury Bills/Notes	100%
Local Government Investment Pools	100%
Other U.S. Government Securities	75%
Authorized Investment Pools	75%
Flexible Repurchase Agreements	50%
Bankers' Acceptances	25%
No Load Money Market Mutual Funds	100%
No Load Mutual Funds	50%

B. Receivables

Amounts recorded as receivables as of September 30, 2021, for the government's individual major and nonmajor funds, including the applicable allowance for uncollectible accounts, are as follows:

	General Fund	Capital Projects Fund	Debt Service Fund	Water and Sewer	Surface Water	Solid Waste	Nonmajor Funds	Discretely Presented Component Units	Total
Receivables:									
Sales and use taxes	\$ 1,257,540	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 371,951	\$ 1,629,491
Property taxes	238,732	-	92,242	-	-	-	-	-	330,974
Franchise taxes	81,790	-	-	-	-	-	-	-	81,790
Hotel/motel taxes	-	-	-	-	-	-	81,895	-	81,895
Court fines	2,214,810	-	-	-	-	-	-	-	2,214,810
Customer accounts	-	-	-	1,953,482	137,649	362,303	-	-	2,453,434
Other	10,204	1,026	-	-	-	-	-	5,000	16,230
Gross receivables	3,803,076	1,026	92,242	1,953,482	137,649	362,303	81,895	376,951	6,808,624
Less: allowance for uncollectibles	(2,168,077)	-	(39,867)	(131,700)	-	(64,124)	-	-	(2,403,768)
Net total receivables	\$ 1,634,999	\$ 1,026	\$ 52,375	\$ 1,821,782	\$ 137,649	\$ 298,179	\$ 81,895	\$ 376,951	\$ 4,404,856

C. Capital Assets

A summary of activity for capital assets for the year ended September 30, 2021, follows:

	Balance 9/30/2020	Additions	Deletions	Balance 9/30/2021
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 4,084,466	\$ -	\$ -	\$ 4,084,466
Construction in progress	5,582,722	815,032	(4,169,704)	2,228,050
Total capital assets, not being depreciated	9,667,188	815,032	(4,169,704)	6,312,516
Capital assets being depreciated:				
Buildings	9,925,204	2,160,429	-	12,085,633
Improvements other than buildings	5,236,114	-	-	5,236,114
Infrastructure	9,838,647	1,695,097	-	11,533,744
Machinery and equipment	9,022,501	753,436	(139,916)	9,636,021
Total capital assets being depreciated	34,022,466	4,608,962	(139,916)	38,491,512
Less accumulated depreciation for:				
Buildings	(1,966,399)	(197,261)	-	(2,163,660)
Improvements other than buildings	(1,503,003)	(167,785)	-	(1,670,788)
Infrastructure	(7,868,064)	(119,251)	-	(7,987,315)
Machinery and equipment	(7,266,660)	(650,814)	139,916	(7,777,558)
Total accumulated depreciation	(18,604,126)	(1,135,111)	139,916	(19,599,321)
Total capital assets being depreciated, net	15,418,340	3,473,851	-	18,892,191
Governmental activities capital assets, net	\$ 25,085,528	\$ 4,288,883	\$ (4,169,704)	\$ 25,204,707

	Balance 9/30/2020	Additions	Deletions	Balance 9/30/2021
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 1,936,937	\$ -	\$ -	\$ 1,936,937
Construction in progress	<u>6,802,765</u>	<u>542,554</u>	<u>(25,900)</u>	<u>7,319,419</u>
Total capital assets, not being depreciated	<u>8,739,702</u>	<u>542,554</u>	<u>(25,900)</u>	<u>9,256,356</u>
Capital assets being depreciated:				
Buildings	33,308,509	52,150	-	33,360,659
Improvements other than buildings	5,825,034	-	-	5,825,034
Infrastructure	53,354,525	183,508	-	53,538,033
Machinery and equipment	<u>1,655,666</u>	<u>83,635</u>	<u>(137,283)</u>	<u>1,602,018</u>
Total capital assets being depreciated	<u>94,143,734</u>	<u>319,293</u>	<u>(137,283)</u>	<u>94,325,744</u>
Less accumulated depreciation for:				
Buildings	(5,681,689)	(559,806)	-	(6,241,495)
Improvements other than buildings	(2,866,251)	(362,573)	-	(3,228,824)
Infrastructure	(28,375,240)	(1,339,439)	-	(29,714,679)
Machinery and equipment	<u>(1,346,179)</u>	<u>(120,242)</u>	<u>137,283</u>	<u>(1,329,138)</u>
Total accumulated depreciation	<u>(38,269,359)</u>	<u>(2,382,060)</u>	<u>137,283</u>	<u>(40,514,136)</u>
Total capital assets being depreciated, net	<u>55,874,375</u>	<u>(2,062,767)</u>	<u>-</u>	<u>53,811,608</u>
Business-type activities				
Capital assets, net	<u>\$ 64,614,077</u>	<u>\$ (1,520,213)</u>	<u>\$ (25,900)</u>	<u>\$ 63,067,964</u>

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

Governmental Activities	
General government	\$ 156,458
Public safety	694,473
Public works	132,612
Parks and recreation	<u>151,568</u>
	<u>\$ 1,135,111</u>
Business-Type Activities	
Water and sewer	\$ 1,781,753
Surface water	<u>600,307</u>
	<u>\$ 2,382,060</u>

Construction in progress for the various projects and remaining commitments under these construction contracts at September 30, 2021, are as follows:

	Authorized Commitment	Total in Progress	Remaining Commitment
Governmental Activities			
Lamar Drive Final Drainage Phase	\$ 450,343	\$ 136,037	\$ 314,306
Myrtle Street Renovation	519,538	298,059	221,479
Fueling Station	356,227	341,318	14,909
Wayside Horns Project Phase II	1,109,472	158,059	951,413
Police Department Renovations	411,227	281,613	129,614
Henderson-Wessendorff Sidewalk Infrastructure Grant	2,450,000	2,278,722	171,278
IT Infrastructure	111,568	95,601	15,967
Street Rehab	743,529	8,110	735,419
ROW Acquisition	<u>300,000</u>	<u>100</u>	<u>299,900</u>
	<u>\$ 6,451,904</u>	<u>\$ 3,597,619</u>	<u>\$ 2,854,285</u>
Business-Type Activities			
Surface Water Treatment Plant	\$ 6,003,240	\$ 3,808,739	\$ 2,194,501
Edgar Phase II	3,225,068	1,924,713	1,300,355
121 Riverpark West Region LS	1,531,920	1,531,920	-
Regional Wastewater Plant (WWTP) Lift Station Rehabilitation	802,123	802,123	-
Water Line Rehab	1,000,000	778,937	221,063
Elevated Storage Tank Rehab, Ransom Road	411,200	368,172	43,028
East WWTP	<u>3,465,121</u>	<u>2,506,214</u>	<u>958,907</u>
	<u>\$ 16,438,672</u>	<u>\$ 11,720,818</u>	<u>\$ 4,717,854</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 funds in the business-type activities.

During the year ended September 30, 2021, the following changes occurred in long-term debt:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 7,575,000	\$ -	\$(620,000)	\$ 6,955,000	\$ 640,000
Certificates of obligation	7,400,000	-	(420,000)	6,980,000	430,000
Bond issuance premiums/discounts	743,921	-	(70,150)	673,771	-
Compensated absences	<u>576,054</u>	<u>1,158,513</u>	<u>(618,426)</u>	<u>1,116,141</u>	<u>111,614</u>
Governmental activities long-term liabilities	<u>\$ 16,294,975</u>	<u>\$ 1,158,513</u>	<u>\$(1,728,576)</u>	<u>\$ 15,724,912</u>	<u>\$ 1,181,614</u>
Business-Type Activities:					
Bonds payable:					
Certificates of obligation	\$ 17,540,000	\$ -	\$(1,180,000)	\$ 16,360,000	\$ 1,225,000
Bond issuance premiums/discounts	693,327	-	(40,029)	653,298	-
Compensated absences	<u>126,390</u>	<u>116,239</u>	<u>(97,031)</u>	<u>145,598</u>	<u>14,560</u>
Business-type activities long-term liabilities	<u>\$ 18,359,717</u>	<u>\$ 116,239</u>	<u>\$(1,317,060)</u>	<u>\$ 17,158,896</u>	<u>\$ 1,239,560</u>

The following is a summary of the terms of obligations of general obligation bonds and certificates of obligation outstanding as of September 30, 2021:

Governmental Activities:

Series	Interest Rate	Original Issue	Maturity Date	Debt Outstanding
General Obligation Bonds				
Series 2013 general obligation and refunding bonds	3.00-4.25%	6,620,000	2038	\$ 4,740,000
Series 2020 general obligation and refunding bonds	3.00-4.00%	2,525,000	2029	<u>2,215,000</u>
				<u>6,955,000</u>
Certificates of Obligation				
Series 2013 combination tax and revenue certificates of obligation	2.00-4.13%	2,265,000	2038	1,750,000
Series 2016B combination tax and revenue certificates of obligation	3.00%	3,375,000	2035	2,340,000
Series 2017B combination tax and revenue certificates of obligation	3.00%	3,405,000	2037	<u>2,890,000</u>
				<u>6,980,000</u>
Total Governmental Activities				<u>\$ 13,935,000</u>

Business-Type Activities:

Series	Interest Rate	Original Issue	Maturity Date	Debt Outstanding
Certificates of Obligation:				
Series 2015 combination tax and revenue certificates of obligation	3.00-4.00%	9,705,000	2045	\$ 8,445,000
Series 2016A combination tax and revenue certificates of obligation	3.00%	6,025,000	2034	2,860,000
Series 2017A combination tax and revenue certificates of obligation	3.00%-3.20%	5,955,000	2037	<u>5,055,000</u>
Total Business-Type Activities				<u>\$ 16,360,000</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
2022	640,000	266,069	\$ 906,069
2023	665,000	242,394	907,394
2024	690,000	216,119	906,119
2025	405,000	194,103	599,103
2026	420,000	177,369	597,369
2027-2031	1,905,000	634,522	2,539,522
2032-2036	1,525,000	310,681	1,835,681
2037-2038	705,000	29,391	734,391
	<u>\$ 6,955,000</u>	<u>\$ 2,070,648</u>	<u>\$ 9,025,648</u>

Year Ending September 30,	Governmental Activities			Business-Type Activities		
	Certificates of Obligation			Certificates of Obligation		
	Principal	Interest	Total	Principal	Interest	Total
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
2025	445,000	194,625	639,625	640,000	459,833	1,099,833
2025	455,000	180,225	635,225	655,000	440,408	1,095,408
2026	465,000	165,497	630,497	670,000	420,533	1,090,533
2027-2031	2,055,000	625,744	2,680,744	3,620,000	1,781,156	5,401,156
2032-2036	2,190,000	268,194	2,458,194	3,860,000	1,177,898	5,037,898
2037-2041	500,000	14,822	514,822	2,460,000	614,420	3,074,420
2042-2045	-	-	-	1,975,000	161,700	2,136,700
	<u>\$ 6,980,000</u>	<u>\$ 1,879,607</u>	<u>\$ 8,859,607</u>	<u>\$ 16,360,000</u>	<u>\$ 6,069,664</u>	<u>\$ 22,429,664</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. In the event of default on any of the bonds or certificates, any registered owner of the obligations is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make payment.

E. Interfund Receivables, Payables and Transfers

For the year ended September 30, 2021, interfund transfers consisted of:

Transfers In	Transfers Out	Amount	Reason
General fund	Water and sewer fund	\$ 2,791,255	To remit portion of fee collections
Debt Service Fund	Water and sewer fund	240,948	To fund debt service payments
Water and sewer fund	Surface water fund	1,272,108	To supplement other sources of funds
Capital projects fund	Surface water fund	55,784	To fund capital improvement projects
Solid waste fund	General Fund	235,886	To transfer residual prior year proceeds
Capital projects fund	General Fund	<u>1,068,313</u>	To fund capital improvement projects
		<u>\$ 5,664,294</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 888 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 annual comprehensive financial report (ACFR) that can be obtained at www.tmr.org.

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 over of seven 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, Transfers
Annuity increase to retirees	70% of CPI Repeating
Supplemental death benefit - employees and retirees	Yes

Employees covered by benefit terms. At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	85
Inactive employees entitled to but not yet receiving benefits	120
Active employees	<u>157</u>
Total	<u><u>362</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 2021, the City made contributions of 15.13% for the months in 2020 and 14.63% for the months in 2020. The City's contributions to TMRS for the year ended September 30, 2021 were \$1,461,558 and were equal to the required contributions.

Net Pension Liability. The City's Net Pension Liability (NPL) was measured as of December 31, 2020, 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 for governmental activities and the Water and Wastewater Fund for the business-type activities.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.50% to 11.50% including inflation
Investment rate of return	6.75%

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4- year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2109 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. 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 in fiscal year 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
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 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 active and inactive employees. 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 (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c)
Balance at 12/31/2019	\$ 48,808,271	\$ 44,446,138	\$ 4,362,133
Changes for the year:			
Service cost	1,673,829	-	1,673,829
Interest	3,287,732	-	3,287,732
Difference between expected and actual experience	(468,702)	-	(468,702)
Changes in assumptions	-	-	-
Contributions - employer	-	1,387,429	(1,387,429)
Contributions - employee	-	663,841	(663,841)
Net investment income	-	3,374,308	(3,374,308)
Benefit payments, including refunds of employee contributions	(1,876,089)	(1,876,089)	-
Administrative expense	-	(21,830)	21,830
Other changes	-	(852)	852
Net changes	2,616,770	3,526,807	(910,037)
Balance at 12/31/2020	\$ 51,425,041	\$ 47,972,945	\$ 3,452,096

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/(asset) \$	11,367,527	\$ 3,452,096	\$(2,969,981)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2021, the City recognized pension expense of \$1,030,825.

At September 30, 2021, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in expected and actual experience	\$ 296,362	\$ 367,073
Changes in actuarial assumptions used	83,352	-
Differences in projected and actual investment earnings	-	1,256,967
Contributions subsequent to the measurement date	<u>1,070,796</u>	<u>-</u>
Total	<u>\$ 1,450,510</u>	<u>\$ 1,624,040</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$1,070,796 will be recognized as a reduction of the net pension liability for the fiscal year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended September 30,	Net Deferred Outflows (Inflows) of Resources
2022	\$(348,610)
2023	19,794
2024	(781,317)
2025	(134,193)

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 Commission 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	59
Inactive employees entitled to but not yet receiving benefits	19
Active employees	157
Total	235

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.18% for 2021 and 0.17% for 2020, of which 0.08% and 0.03%, 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, 2021 and 2020 were \$17,280 and \$15,895, 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, 2020 actuarial valuation was determined using the following actuarial assumptions:

Measurement year ended December 31,	2020
Inflation rate	2.50% per annum
Discount rate	2.00%
Actuarial cost method	Entry Age Normal Method
Projected salary increases	3.50% to 11.50% 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, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

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 2.00% 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, 2020.

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 (2.00%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
Total OPEB Liability	\$ 653,259	\$ 528,320	\$ 432,251

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs. At September 30, 2021, the City reported a liability of \$528,320 for its Total OPEB Liability. The Total OPEB Liability was determined by an actuarial valuation as of December 31, 2020. For the year ended September 30, 2021, the City recognized OPEB expense of \$53,660. 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

	Total OPEB Liability
Balance at 12/31/2019	\$ 443,304
Changes for the year:	
Service cost	25,605
Interest	12,504
Difference between expected and actual experience	(24,423)
Changes of assumptions	74,175
Benefit payments	(2,845)
Net changes	<u>85,016</u>
Balance at 12/31/2020	<u>\$ 528,320</u>

The total OPEB liability attributable to the governmental activities will be liquidated by the General Fund. The total liability attributable to the business-type activities will be liquidated by the Water and Wastewater Fund.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in expected and actual experience	\$ -	\$ 36,486
Changes in actuarial assumptions used	130,789	15,004
Contributions subsequent to the measurement date	<u>5,662</u>	<u>-</u>
Total	<u>\$ 136,451</u>	<u>\$ 51,490</u>

\$5,662 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, 2022. 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</u> <u>Ended September 30,</u>		
2022	\$	15,551
2023		15,551
2024		14,441
2025		12,584
2026		14,997
Thereafter		6,175

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 \$137,050 to Pecan Grove MUD, \$5,005 to FBCMUD 121, \$303,149 to FBCMUD 116 and \$250,311 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. New Accounting Pronouncements

Significant new accounting pronouncements issued by the Governmental Accounting Standards Board (GASB) but not yet implemented by the City include the following:

Statement No. 87, *Leases* – This Statement will improve the accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities previously classified as operating leases. It establishes a single model for lease accounting based on the principle that leases are financing the right to use an underlying asset. Under the Statement a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resource, enhancing the relevance and consistency of information about leasing activities. This Statement will become effective for the City in fiscal year 2022.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* – The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. GASB 94 will become effective for the City in fiscal year 2024.

Statement No. 96, *Subscription-Based Information Technology Arrangements* – This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. GASB 96 will become effective for the City in fiscal year 2024.

M. Prior Period Adjustment

In the implementation of GASB Statement No. 84 relating to the presentation of fiduciary activities, the City adjusted the beginning net position of the custodial fund. The beginning balance of the custodial fund was established to be \$154,025, being presented as a prior period adjustment in the Statement of Changes in Fiduciary Net Position.

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**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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final</u>
REVENUES				
Taxes:				
Property taxes	\$ 3,038,632	\$ 3,038,632	\$ 3,003,648	\$(34,984)
Sales and use taxes	5,400,000	5,400,000	7,288,162	1,888,162
Franchise taxes	844,000	844,000	743,722	(100,278)
Fines and forfeitures	370,000	370,000	181,516	(188,484)
Licenses and permits	300,000	300,000	664,876	364,876
Intergovernmental	655,216	1,199,519	1,219,610	20,091
Charges for services	3,231,000	3,231,000	3,328,942	97,942
Investment earnings	50,000	50,000	5,461	(44,539)
Miscellaneous	<u>98,700</u>	<u>98,700</u>	<u>138,900</u>	<u>40,200</u>
Total revenues	<u>13,987,548</u>	<u>14,531,851</u>	<u>16,574,837</u>	<u>2,042,986</u>
EXPENDITURES				
General government:				
General government	2,562,422	2,499,907	2,499,907	-
Vehicle maintenance	245,970	201,859	201,859	-
Information technology	267,190	295,645	295,645	-
Janitorial department	372,090	366,732	366,732	-
Municipal courts	401,697	384,292	384,292	-
Contingency	<u>512,776</u>	<u>1,304,113</u>	<u>-</u>	<u>1,304,113</u>
Total general governments	<u>4,362,145</u>	<u>5,052,548</u>	<u>3,748,435</u>	<u>1,304,113</u>
Public safety:				
Police department	4,787,338	4,233,026	4,233,016	10
Fire department - central	4,390,031	4,514,464	4,514,464	-
Emergency management	125,820	561,969	561,969	-
Fire marshal	<u>398,118</u>	<u>273,731</u>	<u>273,731</u>	<u>-</u>
Total public safety	<u>9,701,307</u>	<u>9,583,190</u>	<u>9,583,180</u>	<u>10</u>
Public works:				
Public works	477,519	447,544	447,544	-
Street department	<u>1,488,026</u>	<u>1,056,000</u>	<u>1,056,000</u>	<u>-</u>
Total public works	<u>1,965,545</u>	<u>1,503,544</u>	<u>1,503,544</u>	<u>-</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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final</u>
EXPENDITURES (Continued)				
Parks and recreation:				
Parks department	\$ <u>475,989</u>	\$ <u>435,769</u>	\$ <u>435,769</u>	\$ <u>-</u>
Total parks and recreation	<u>475,989</u>	<u>435,769</u>	<u>435,769</u>	<u>-</u>
Community development:				
Building permits	512,176	515,952	515,952	-
Community development	<u>308,425</u>	<u>269,080</u>	<u>269,080</u>	<u>-</u>
Total community development	<u>820,601</u>	<u>785,032</u>	<u>785,032</u>	<u>-</u>
Total expenditures	<u>17,325,587</u>	<u>17,360,083</u>	<u>16,055,960</u>	<u>1,304,123</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURE	<u>(3,338,039)</u>	<u>(2,828,232)</u>	<u>518,877</u>	<u>3,347,109</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,687,219	2,791,255	2,791,255	-
Transfers out	(750,000)	(1,068,313)	(1,304,199)	(235,886)
Insurance recovery	<u>100,000</u>	<u>100,000</u>	<u>81,934</u>	<u>(18,066)</u>
Total other financing sources (u	<u>2,037,219</u>	<u>1,822,942</u>	<u>1,568,990</u>	<u>(253,952)</u>
NET CHANGE IN FUND BALANCE	<u>(1,300,820)</u>	<u>(1,005,290)</u>	<u>2,087,867</u>	<u>3,093,157</u>
FUND BALANCE, BEGINNING	<u>7,281,111</u>	<u>7,281,111</u>	<u>7,281,111</u>	<u>-</u>
FUND BALANCE, ENDING	\$ <u>5,980,291</u>	\$ <u>6,275,821</u>	\$ <u>9,368,978</u>	\$ <u>3,093,157</u>

CITY OF RICHMOND, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Measurement Date December 31,	<u>2014</u>	<u>2015</u>
A. Total pension liability		
Service Cost	\$ 1,075,211	\$ 1,239,239
Interest (on the Total Pension Liability)	2,292,476	2,399,359
Difference between expected and actual experience	(534,308)	86,553
Contributions in relation to the actuarially determined contribution	-	-
Changes in assumptions	-	(116,121)
Benefit payments, including refunds of employee contributions	<u>(1,354,207)</u>	<u>(1,422,763)</u>
Net change in total pension liability	1,479,172	2,186,267
Total pension liability - beginning	<u>32,889,149</u>	<u>34,368,321</u>
Total pension liability - ending (a)	<u>34,368,321</u>	<u>36,554,588</u>
B. Plan fiduciary net position		
Contributions - Employer	1,006,036	1,067,545
Contributions - Employee	491,469	534,155
Net Investment Income	1,699,338	46,517
Benefit payments, including refunds of employee contributions	(1,354,207)	(1,422,763)
Administrative Expenses	(17,739)	(28,334)
Other	<u>(1,458)</u>	<u>(1,399)</u>
Net change in plan fiduciary net position	1,823,439	195,721
Plan fiduciary net position - beginning	<u>29,701,531</u>	<u>31,524,970</u>
Plan fiduciary net position - ending (b)	<u>31,524,970</u>	<u>31,720,691</u>
C. Net pension liability - ending (a) - (b)	<u>\$ 2,843,351</u>	<u>\$ 4,833,897</u>
D. Plan fiduciary net position as a percentage of total pension liability	91.73%	86.78%
E. Covered payroll	\$ 7,015,606	\$ 7,630,779
F. Net position liability as a percentage of covered payroll	40.53%	63.35%

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

2016	2017	2018	2019	2020
\$ 1,356,736	\$ 1,503,114	\$ 1,557,569	\$ 1,653,668	\$ 1,673,829
2,465,759	2,637,325	2,867,145	3,057,585	3,287,732
67,960	765,789	(2,003)	318,513	(468,702)
-	-	-	147,222	-
(1,406,391)	(1,437,457)	(1,619,962)	(1,678,889)	(1,876,089)
2,484,064	3,468,771	2,802,749	3,498,099	2,616,770
<u>36,554,588</u>	<u>39,038,652</u>	<u>42,507,423</u>	<u>45,310,172</u>	<u>48,808,271</u>
<u>39,038,652</u>	<u>42,507,423</u>	<u>45,310,172</u>	<u>48,808,271</u>	<u>51,425,041</u>
1,044,433	1,201,284	1,284,076	1,398,230	1,387,429
553,447	603,660	627,691	667,186	663,841
2,143,853	4,718,469	(1,171,306)	5,906,495	3,374,309
(1,406,391)	(1,437,457)	(1,619,962)	(1,678,889)	(1,876,089)
(24,211)	(24,443)	(22,631)	(33,359)	(21,831)
(1,304)	(1,239)	(1,183)	(1,002)	(852)
2,309,827	5,060,274	(903,315)	6,258,661	3,526,807
<u>31,720,691</u>	<u>34,030,518</u>	<u>39,090,792</u>	<u>38,187,477</u>	<u>44,446,138</u>
<u>34,030,518</u>	<u>39,090,792</u>	<u>38,187,477</u>	<u>44,446,138</u>	<u>47,972,945</u>
\$ <u>5,008,134</u>	\$ <u>3,416,631</u>	\$ <u>7,122,695</u>	\$ <u>4,362,133</u>	\$ <u>3,452,096</u>
87.17%	91.96%	84.28%	91.06%	93.29%
\$ 7,906,389	\$ 8,623,716	\$ 8,967,008	\$ 9,531,226	\$ 9,483,448
63.34%	39.62%	79.43%	45.77%	36.40%

CITY OF RICHMOND, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Fiscal Year Ended September 30,	<u>2014</u>	<u>2015</u>
Actuarial determined contribution	\$ <u>1,004,526</u>	\$ <u>1,012,728</u>
Contributions in relation to the actuarially determined contribution	\$ <u>1,004,526</u>	\$ <u>1,012,728</u>
Contribution deficiency (excess)	-	-
Covered payroll	6,657,271	7,015,606
Contributions as a percentage of covered payroll	15.09%	14.44%

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	25 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.5% 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 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

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.

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$ <u>1,018,458</u>	\$ <u>1,191,364</u>	\$ <u>1,259,725</u>	\$ <u>1,359,427</u>	\$ <u>1,392,226</u>	\$ <u>1,461,558</u>
\$ <u>1,018,458</u>	\$ <u>1,191,364</u>	\$ <u>1,259,725</u>	\$ <u>1,359,427</u>	\$ <u>1,392,226</u>	\$ <u>1,461,558</u>
-	-	-	-	-	-
7,713,975	8,580,137	8,765,110	9,402,522	9,508,868	9,748,265
13.20%	13.89%	14.37%	14.46%	14.64%	14.99%

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, 2021

Measurement Date December 31,	2017	2018	2019	2020
A. Total OPEB liability				
Service Cost	\$ 18,972	\$ 22,418	\$ 20,969	\$ 25,605
Interest (on the Total OPEB Liability)	11,446	12,064	12,967	12,504
Difference between expected and actual experience	-	(19,903)	(6,485)	(24,423)
Changes of assumptions	31,279	(26,975)	77,789	74,175
Benefit payments, including refunds of employee contributions	(1,725)	(1,793)	(1,906)	(2,845)
Net change in Total OPEB liability	59,972	(14,189)	103,334	85,016
Total OPEB liability - beginning	<u>294,187</u>	<u>354,159</u>	<u>339,970</u>	<u>443,304</u>
Total OPEB liability - ending (a)	<u>\$ 354,159</u>	<u>\$ 339,970</u>	<u>\$ 443,304</u>	<u>\$ 528,320</u>
B. Covered-employee payroll	\$ 8,623,716	\$ 8,967,008	\$ 9,531,226	\$ 9,483,448
C. Total OPEB liability as a percentage of covered-employee payroll	4.11%	3.79%	4.65%	5.57%

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.

CITY OF RICHMOND, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY BUDGET INFORMATION

FOR THE YEAR ENDED SEPTEMBER 30, 2021

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 are appropriated for management control.

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 fund level (legal level of budgetary control). Expenditure requests, which would require an increase in the fund 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.

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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.

Narcotics Seizure City 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.

Municipal Court Truancy Fund – This fund is used to account for juvenile case manager costs.

Municipal Court Jury Fund – This fund is used to account for juror reimbursement and other jury services.

Hotel/Motel Tax Fund – This fund is used to account for the receipt of hotel and motel taxes by the City, which are restricted by the State.

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.

TCOLE 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, 2021

	<u>Festivals Fund</u>	<u>Parks Improvement Fund</u>	<u>Narcotics Seizure - City</u>	<u>State Narcotics Fund</u>
ASSETS				
Cash and equivalents	\$ 718	\$ 25,031	\$ 10,508	\$ 156,245
Taxes receivable, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>718</u>	<u>25,031</u>	<u>10,508</u>	<u>156,245</u>
LIABILITIES AND FUND BALANCES				
Accounts payable	<u>-</u>	<u>500</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>500</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted:				
Capital Projects	-	-	-	-
Public safety	-	-	10,508	156,245
Promotion of tourism	-	-	-	-
Community projects	<u>718</u>	<u>24,531</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>718</u>	<u>24,531</u>	<u>10,508</u>	<u>156,245</u>
Total liabilities and fund balances	\$ <u>718</u>	\$ <u>25,031</u>	\$ <u>10,508</u>	\$ <u>156,245</u>

Federal Narcotics Fund	Municipal Court Truancy Fund	Municipal Court Jury Fund	Hotel/Motel Tax Fund	Community Development Block Grant Fund	TCOLE Fund	Municipal Court Technology Fund
\$ 89	\$ 4,339	\$ 87	\$ 408,949	\$ 4,680	\$ 9,211	\$ 15,922
-	-	-	81,895	-	-	-
<u>89</u>	<u>4,339</u>	<u>87</u>	<u>490,844</u>	<u>4,680</u>	<u>9,211</u>	<u>15,922</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	4,339	87	-	-	-	-
89	-	-	-	-	9,211	15,922
-	-	-	490,844	-	-	-
-	-	-	-	4,680	-	-
<u>89</u>	<u>4,339</u>	<u>87</u>	<u>490,844</u>	<u>4,680</u>	<u>9,211</u>	<u>15,922</u>
<u>\$ 89</u>	<u>\$ 4,339</u>	<u>\$ 87</u>	<u>\$ 490,844</u>	<u>\$ 4,680</u>	<u>\$ 9,211</u>	<u>\$ 15,922</u>

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CITY OF RICHMOND, TEXAS

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2021

	Municipal Court Security Fund	Total Nonmajor Governmental Funds
ASSETS		
Cash and equivalents	\$ 26,673	\$ 662,452
Taxes receivable, net	<u>-</u>	<u>81,895</u>
Total assets	<u>26,673</u>	<u>744,347</u>
LIABILITIES AND FUND BALANCES		
Accounts payable	<u>-</u>	<u>500</u>
Total liabilities	<u>-</u>	<u>500</u>
Fund balances:		
Restricted:		
Capital Projects	-	4,426
Public safety	26,673	218,648
Promotion of tourism	-	490,844
Community projects	<u>-</u>	<u>29,929</u>
Total fund balances	<u>26,673</u>	<u>743,847</u>
Total liabilities and fund balances	<u>\$ 26,673</u>	<u>\$ 744,347</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, 2021

	<u>Festivals Fund</u>	<u>Parks Improvement Fund</u>	<u>Narcotics Seizure - City</u>	<u>State Narcotics Fund</u>
REVENUES				
Hotel/motel taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Intergovernmental	-	-	-	488
Investment earnings	<u>1</u>	<u>18</u>	<u>-</u>	<u>-</u>
Total revenues	<u>1</u>	<u>18</u>	<u>-</u>	<u>488</u>
EXPENDITURES				
Public safety	-	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,240</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,240</u>
NET CHANGE IN FUND BALANCES	1	18	-	(35,752)
FUND BALANCES, BEGINNING	<u>717</u>	<u>24,513</u>	<u>10,508</u>	<u>191,997</u>
FUND BALANCES, ENDING	\$ <u>718</u>	\$ <u>24,531</u>	\$ <u>10,508</u>	\$ <u>156,245</u>

Federal Narcotics Fund	Municipal Court Truancy Fund	Municipal Court Jury Fund	Hotel/Motel Tax Fund	Community Development Block Grant Fund	TCOLE Fund	Municipal Court Technology Fund
\$ -	\$ -	\$ -	\$ 290,942	\$ -	\$ -	\$ -
-	3,283	66	-	-	-	3,705
-	-	-	-	-	3,954	-
-	-	-	186	-	-	10
<u>-</u>	<u>3,283</u>	<u>66</u>	<u>291,128</u>	<u>-</u>	<u>3,954</u>	<u>3,715</u>
-	-	-	-	-	2,724	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,724</u>	<u>-</u>
-	3,283	66	291,128	-	1,230	3,715
<u>89</u>	<u>1,056</u>	<u>21</u>	<u>199,716</u>	<u>4,680</u>	<u>7,981</u>	<u>12,207</u>
\$ <u>89</u>	\$ <u>4,339</u>	\$ <u>87</u>	\$ <u>490,844</u>	\$ <u>4,680</u>	\$ <u>9,211</u>	\$ <u>15,922</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, 2021

	Municipal Court Security Fund	Total Nonmajor Governmental Funds
REVENUES		
Hotel/motel taxes	\$ -	\$ 290,942
Fines and forfeitures	4,026	11,080
Intergovernmental	-	4,442
Investment earnings	18	233
Total revenues	<u>4,044</u>	<u>306,697</u>
EXPENDITURES		
Public safety	-	2,724
Capital outlay	-	36,240
Total expenditures	<u>-</u>	<u>38,964</u>
NET CHANGE IN FUND BALANCES	4,044	267,733
FUND BALANCES, BEGINNING	<u>22,629</u>	<u>476,114</u>
FUND BALANCES, ENDING	\$ <u>26,673</u>	\$ <u>743,847</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, 2021

	2021		Variance Positive (Negative)	2020
	Final Budget	Actual		Actual
REVENUES				
Taxes:				
Property taxes	\$ 1,122,953	\$ 1,073,414	\$ (49,539)	\$ 966,698
Intergovernmental	253,988	253,988	-	257,388
Investment earnings	5,307	282	(5,025)	4,032
Total revenues	<u>1,382,248</u>	<u>1,327,684</u>	<u>(54,564)</u>	<u>1,228,118</u>
EXPENDITURES				
Debt service:				
Principal	1,040,000	1,040,000	-	4,085,000
Interest and other charges	535,844	535,844	-	661,238
Total expenditures	<u>1,575,844</u>	<u>1,575,844</u>	<u>-</u>	<u>4,746,238</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(193,596)</u>	<u>(248,160)</u>	<u>(54,564)</u>	<u>(3,518,120)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of bonds	-	-	-	2,525,000
Premium on issuance of debt	-	-	-	298,377
Transfers in	240,948	240,948	-	685,350
Total other financing sources (uses)	<u>240,948</u>	<u>240,948</u>	<u>-</u>	<u>3,508,727</u>
NET CHANGE IN FUND BALANCE	47,352	(7,212)	(54,564)	(9,393)
FUND BALANCE, BEGINNING	<u>172,960</u>	<u>172,960</u>	<u>-</u>	<u>182,353</u>
FUND BALANCE, ENDING	<u>\$ 220,312</u>	<u>\$ 165,748</u>	<u>\$ (54,564)</u>	<u>\$ 172,960</u>

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for revenues and expenses related to services provided to other departments within the City. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis.

Insurance Premiums Fund – accounts for employer contributions, employee premiums, and the cost of health expenditures for employees, retirees and dependents.

Equipment Replacement Fund – accounts for the rental of equipment and motor vehicles to other departments, and the purchase of new equipment and related costs.

CITY OF RICHMOND, TEXAS

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS

SEPTEMBER 30, 2021

	<u>Insurance Premiums Fund</u>	<u>Fleet Replacement</u>	<u>Total Internal Service Funds</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ <u>3,519</u>	\$ <u>843,710</u>	\$ <u>847,229</u>
Total current assets	<u>3,519</u>	<u>843,710</u>	<u>847,229</u>
Non-current assets:			
Capital assets, net of accumulated depreciation:			
Equipment and furniture	<u>-</u>	<u>264,147</u>	<u>264,147</u>
Total non-current assets	<u>-</u>	<u>264,147</u>	<u>264,147</u>
 Total assets	 <u>3,519</u>	 <u>1,107,857</u>	 <u>1,111,376</u>
 LIABILITIES			
Current liabilities:			
Accounts payable	<u>-</u>	<u>24,197</u>	<u>24,197</u>
Total current liabilities	<u>-</u>	<u>24,197</u>	<u>24,197</u>
 Total liabilities	 <u>-</u>	 <u>24,197</u>	 <u>24,197</u>
 NET POSITION			
Net investment in capital assets	<u>-</u>	<u>264,147</u>	<u>264,147</u>
Unrestricted	<u>3,519</u>	<u>819,513</u>	<u>823,032</u>
 Total net position	 <u>\$ 3,519</u>	 <u>\$ 1,083,660</u>	 <u>\$ 1,087,179</u>

CITY OF RICHMOND, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Insurance Premiums Fund</u>	<u>Fleet Replacement</u>	<u>Total Internal Service Funds</u>
OPERATING REVENUES			
Interfund charges	\$ 2,242,113	\$ 996,000	\$ 3,238,113
Miscellaneous revenue	<u>-</u>	<u>87,660</u>	<u>87,660</u>
Total operating revenues	<u>2,242,113</u>	<u>1,083,660</u>	<u>3,325,773</u>
OPERATING EXPENSES			
Insurance premiums	<u>2,229,881</u>	<u>-</u>	<u>2,229,881</u>
Total operating expenses	<u>2,229,881</u>	<u>-</u>	<u>2,229,881</u>
OPERATING INCOME	<u>12,232</u>	<u>1,083,660</u>	<u>1,095,892</u>
INCOME BEFORE TRANSFERS	12,232	1,083,660	1,095,892
CHANGE IN NET POSITION	12,232	1,083,660	1,095,892
NET POSITION, BEGINNING	<u>(8,713)</u>	<u>-</u>	<u>(8,713)</u>
NET POSITION, ENDING	<u>\$ 3,519</u>	<u>\$ 1,083,660</u>	<u>\$ 1,087,179</u>

CITY OF RICHMOND, TEXAS

COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

	Insurance Premiums Fund	Fleet Replacement	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts of interfund charges for insurance premiums	\$ 2,242,113	\$ -	\$ 2,242,113
Charges for use of city equipment	-	1,083,660	1,083,660
Payments to suppliers and service providers	<u>(2,242,085)</u>	<u>-</u>	<u>(2,242,085)</u>
Net cash provided by operating activities	<u>28</u>	<u>1,083,660</u>	<u>1,083,688</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	<u>-</u>	<u>(239,950)</u>	<u>(239,950)</u>
Net cash used for capital and related financing activities	<u>-</u>	<u>(239,950)</u>	<u>(239,950)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	28	843,710	843,738
CASH AND CASH EQUIVALENTS, BEGINNING	<u>3,491</u>	<u>-</u>	<u>3,491</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 3,519</u>	<u>\$ 843,710</u>	<u>\$ 847,229</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 12,232	\$ 1,083,660	\$ 1,095,892
Decrease in accounts payable	<u>(12,204)</u>	<u>-</u>	<u>(12,204)</u>
Net cash provided by operating activities	<u>\$ 28</u>	<u>\$ 1,083,660</u>	<u>\$ 1,083,688</u>

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STATISTICAL SECTION

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**STATISTICAL SECTION
(UNAUDITED)**

This part of the City's annual comprehensive 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.

	<u>Page Number</u>
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.	67
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.	77
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.	81
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.	86
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.	89

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

CITY OF RICHMOND, TEXAS

NET POSITION BY COMPONENT
(UNAUDITED)

LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year			
	2012	2013	2014	2015
Governmental activities:				
Net investment in capital assets	\$ 4,113,159	\$ 2,608,034	\$ 5,179,999	\$ 5,129,543
Restricted	1,055,694	698,128	879,086	1,015,374
Unrestricted	<u>557,684</u>	<u>744,905</u>	<u>2,275,191</u>	<u>1,487,179</u>
Total governmental activities net position	<u>\$ 5,726,537</u>	<u>\$ 4,051,067</u>	<u>\$ 8,334,276</u>	<u>\$ 7,632,096</u>
Business-type activities:				
Net investment in capital assets	\$ 29,258,855	\$ 31,173,123	\$ 33,420,225	\$ 39,834,230
Restricted	-	2,379,720	4,268,765	3,898,062
Unrestricted	<u>7,784,183</u>	<u>9,644,383</u>	<u>5,886,207</u>	<u>4,536,207</u>
Total business-type activities net position	<u>\$ 37,043,038</u>	<u>\$ 43,197,226</u>	<u>\$ 43,575,197</u>	<u>\$ 48,268,499</u>
Primary government:				
Net investment in capital assets	\$ 33,372,014	\$ 33,781,157	\$ 38,600,224	\$ 44,963,773
Restricted	1,055,694	705,795	885,939	4,913,436
Unrestricted	<u>8,341,867</u>	<u>12,761,341</u>	<u>12,423,310</u>	<u>6,023,386</u>
Total primary government net position	<u>\$ 42,769,575</u>	<u>\$ 47,248,293</u>	<u>\$ 51,909,473</u>	<u>\$ 55,900,595</u>

TABLE 1

Fiscal Year					
2016	2017	2018	2019	2020	2021
\$ 5,321,684	\$ 8,050,928	\$ 6,897,558	\$ 5,722,976	\$ 10,832,841	\$ 12,044,188
1,038,474	953,561	735,843	458,562	664,365	916,594
<u>2,308,231</u>	<u>2,245,145</u>	<u>4,221,665</u>	<u>4,856,894</u>	<u>3,773,049</u>	<u>7,224,392</u>
\$ <u>8,668,389</u>	\$ <u>11,249,634</u>	\$ <u>11,855,066</u>	\$ <u>11,038,432</u>	\$ <u>15,270,255</u>	\$ <u>20,185,174</u>
\$ 39,690,192	\$ 43,928,445	\$ 43,224,556	\$ 45,809,547	\$ 48,602,170	\$ 48,257,681
3,898,062	5,547,798	5,933,209	6,856,067	4,940,206	8,145,557
<u>6,890,509</u>	<u>3,810,709</u>	<u>5,492,386</u>	<u>4,518,013</u>	<u>6,267,052</u>	<u>5,093,097</u>
\$ <u>50,478,763</u>	\$ <u>53,286,952</u>	\$ <u>54,650,151</u>	\$ <u>57,183,627</u>	\$ <u>59,809,428</u>	\$ <u>61,496,335</u>
\$ 45,011,876	\$ 51,979,373	\$ 50,122,114	\$ 51,532,523	\$ 59,435,011	\$ 60,301,869
4,936,536	6,501,359	6,669,052	7,314,629	5,604,571	9,062,151
<u>9,198,740</u>	<u>6,055,854</u>	<u>9,714,051</u>	<u>9,374,907</u>	<u>10,040,101</u>	<u>12,317,489</u>
\$ <u>59,147,152</u>	\$ <u>64,536,586</u>	\$ <u>66,505,217</u>	\$ <u>68,222,059</u>	\$ <u>75,079,683</u>	\$ <u>81,681,509</u>

CITY OF RICHMOND, TEXAS

CHANGES IN NET POSITION
(UNAUDITED)

LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year			
	2012	2013	2014	2015
EXPENSES				
Governmental activities:				
General government	\$ 1,657,252	\$ 1,753,484	\$ 1,850,449	\$ 2,028,934
Public safety	6,866,056	6,959,939	6,807,890	7,356,199
Public works	2,678,325	4,468,498	4,888,517	5,493,672
Parks and recreation	483,624	485,120	464,973	469,734
Community development	-	-	-	56,951
Interest on long-term debt	430,711	569,840	351,599	502,028
Total governmental activities expenses	<u>12,115,968</u>	<u>14,236,881</u>	<u>14,363,428</u>	<u>15,907,518</u>
Business-type activities:				
Water and sewer	4,829,487	5,473,678	7,356,048	5,724,872
Surface water	-	-	-	475,315
Solid waste	-	-	-	-
Total business-type activities expenses	<u>4,829,487</u>	<u>5,473,678</u>	<u>7,356,048</u>	<u>6,200,187</u>
Total primary government expenses	\$ <u>16,945,455</u>	\$ <u>19,710,559</u>	\$ <u>21,719,476</u>	\$ <u>22,107,705</u>
PROGRAM REVENUES				
Governmental activities:				
Charges for services:				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	1,339,251	1,443,301	1,837,584	2,356,960
Public works	1,567,992	1,867,707	1,996,562	1,984,941
Culture and recreation	-	-	-	-
Operating grants and contributions	1,308,839	627,165	4,452,136	2,015,232
Capital grants and contributions	19,490	15	124,819	-
Total governmental activities program revenues	<u>4,235,572</u>	<u>3,938,188</u>	<u>8,411,101</u>	<u>6,357,133</u>
Business-type activities:				
Charges for services:				
Water and sewer	7,530,461	10,665,213	8,576,256	8,446,349
Surface water	-	-	-	2,226,140
Solid waste	-	-	-	-
Operating grants and contributions	-	111,804	26,547	-
Capital grants and contributions	-	2,704,271	1,528,577	3,174,445
Total business-type activities program revenues	<u>7,530,461</u>	<u>13,481,288</u>	<u>10,131,380</u>	<u>13,846,934</u>
Total primary government program revenues	\$ <u>11,766,033</u>	\$ <u>17,419,476</u>	\$ <u>18,542,481</u>	\$ <u>20,204,067</u>

TABLE 2

		Fiscal Year									
		2016	2017	2018	2019	2020	2021				
\$	2,148,288	\$	2,067,723	\$	2,752,167	\$	3,435,738	\$	4,526,644	\$	2,740,494
	8,063,344		8,955,266		9,345,497		10,321,982		8,921,781		10,230,935
	4,050,246		3,143,354		3,496,887		3,438,462		3,284,828		1,647,963
	692,201		1,096,613		827,222		952,248		813,004		1,128,751
	137,820		248,418		250,017		273,382		311,391		243,888
	606,835		539,032		701,024		593,917		620,302		462,865
	<u>15,698,734</u>		<u>16,050,406</u>		<u>17,372,814</u>		<u>19,015,729</u>		<u>18,477,950</u>		<u>16,454,896</u>
	5,619,871		5,710,394		6,830,537		6,830,967		6,114,730		6,277,296
	1,515,334		1,517,533		2,061,224		2,155,410		2,417,188		2,717,748
	-		-		-		-		-		1,615,762
	<u>7,135,205</u>		<u>7,227,927</u>		<u>8,891,761</u>		<u>8,986,377</u>		<u>8,531,918</u>		<u>10,610,806</u>
\$	<u>22,833,939</u>	\$	<u>23,278,333</u>	\$	<u>26,264,575</u>	\$	<u>28,002,106</u>	\$	<u>27,009,868</u>	\$	<u>27,065,702</u>
\$	-	\$	-	\$	-	\$	-	\$	-	\$	1,100
	2,437,425		2,495,391		2,723,782		3,254,222		3,067,119		3,252,382
	1,992,205		2,222,489		1,941,754		2,052,625		2,138,660		346,486
	-		-		323,971		269,880		297,947		664,876
	1,161,045		2,477,246		1,539,114		990,185		1,482,706		1,449,708
	-		-		124,581		240,107		1,842,167		198,727
	<u>5,590,675</u>		<u>7,195,126</u>		<u>6,653,202</u>		<u>6,807,019</u>		<u>8,828,599</u>		<u>5,913,279</u>
	8,621,016		9,490,742		7,942,673		8,011,078		10,598,047		10,230,733
	2,264,919		2,600,011		2,750,547		2,868,351		3,537,108		3,322,236
	-		-		-		-		-		1,718,521
	-		-		-		-		-		-
	<u>845,591</u>		<u>-</u>		<u>-</u>		<u>1,746,541</u>		<u>-</u>		<u>-</u>
	<u>11,731,526</u>		<u>12,090,753</u>		<u>10,693,220</u>		<u>12,625,970</u>		<u>14,135,155</u>		<u>15,271,490</u>
\$	<u>17,322,201</u>	\$	<u>19,285,879</u>	\$	<u>17,346,422</u>	\$	<u>19,432,989</u>	\$	<u>22,963,754</u>	\$	<u>21,184,769</u>

CITY OF RICHMOND, TEXAS

CHANGES IN NET POSITION
(Continued)

LAST TEN FISCAL YEARS
(UNAUDITED)
(accrual basis of accounting)

	Fiscal Year			
	2012	2013	2014	2015
NET (EXPENSE) REVENUES				
Governmental activities	\$(7,880,396)	\$(10,298,693)	\$(5,952,327)	\$(9,550,385)
Business-type activities	<u>2,700,974</u>	<u>8,007,610</u>	<u>2,775,332</u>	<u>7,646,747</u>
Total primary government net expense	<u>(5,179,422)</u>	<u>(2,291,083)</u>	<u>(3,176,995)</u>	<u>(1,903,638)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes:				
Property taxes	3,007,602	2,993,345	3,369,617	3,274,348
Sales and use taxes	2,813,786	3,124,420	3,411,152	3,856,250
Franchise taxes	705,143	749,861	714,824	742,401
Hotel/motel taxes	-	-	-	-
Investment earnings	25,986	16,541	35,628	37,601
Miscellaneous	37,335	60,176	300,215	403,067
Transfers	<u>(628,967)</u>	<u>1,857,765</u>	<u>2,404,100</u>	<u>2,493,900</u>
Total governmental activities	<u>5,960,885</u>	<u>8,802,108</u>	<u>10,235,536</u>	<u>10,807,567</u>
Business-type activities:				
Investment earnings	5,213	4,343	6,739	5,816
Transfers	<u>628,967</u>	<u>(1,857,765)</u>	<u>(2,404,100)</u>	<u>(2,493,900)</u>
Total business-type activities	<u>634,180</u>	<u>(1,853,422)</u>	<u>(2,397,361)</u>	<u>(2,488,084)</u>
Total primary government	<u>6,595,065</u>	<u>6,948,686</u>	<u>7,838,175</u>	<u>8,319,483</u>
CHANGE IN NET POSITION				
Governmental activities	(1,919,511)	(1,496,585)	4,283,209	1,257,182
Business-type activities	<u>3,335,154</u>	<u>6,154,188</u>	<u>377,971</u>	<u>5,158,663</u>
Total primary government	<u>\$ 1,415,643</u>	<u>\$ 4,657,603</u>	<u>\$ 4,661,180</u>	<u>\$ 6,415,845</u>

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

TABLE 2

Fiscal Year					
2016	2017	2018	2019	2020	2021
\$(10,108,059)	\$(8,855,280)	\$(10,719,612)	\$(12,208,710)	\$(9,648,251)	\$(10,541,617)
<u>4,596,321</u>	<u>4,862,826</u>	<u>1,801,459</u>	<u>3,639,593</u>	<u>5,603,237</u>	<u>4,660,684</u>
<u>(5,511,738)</u>	<u>(3,992,454)</u>	<u>(8,918,153)</u>	<u>(8,569,117)</u>	<u>(4,045,014)</u>	<u>(5,880,933)</u>
3,615,207	3,727,157	3,368,354	3,666,765	4,019,449	4,016,963
4,219,534	4,522,169	5,005,098	5,161,034	5,679,465	7,288,162
773,538	800,274	759,287	810,817	768,560	743,722
-	-	-	41,416	157,627	290,942
8,239	13,298	7,084	25,343	97,004	7,680
124,834	303,627	338,460	548,729	70,969	124,878
<u>2,403,000</u>	<u>2,070,000</u>	<u>2,081,109</u>	<u>2,446,077</u>	<u>3,087,000</u>	<u>2,852,101</u>
<u>11,144,352</u>	<u>11,436,525</u>	<u>11,559,392</u>	<u>12,700,181</u>	<u>13,880,074</u>	<u>15,324,448</u>
16,943	15,363	10,352	31,855	109,564	10,412
<u>(2,403,000)</u>	<u>(2,070,000)</u>	<u>(2,081,109)</u>	<u>(2,446,077)</u>	<u>(3,087,000)</u>	<u>(2,852,101)</u>
<u>(2,386,057)</u>	<u>(2,054,637)</u>	<u>(2,070,757)</u>	<u>(2,414,222)</u>	<u>(2,977,436)</u>	<u>(2,841,689)</u>
<u>8,758,295</u>	<u>9,381,888</u>	<u>9,488,635</u>	<u>10,285,959</u>	<u>10,902,638</u>	<u>12,482,759</u>
1,036,293	2,581,245	839,780	491,471	4,231,823	4,782,831
<u>2,210,264</u>	<u>2,808,189</u>	<u>(269,298)</u>	<u>1,225,371</u>	<u>2,625,801</u>	<u>1,818,995</u>
<u>\$ 3,246,557</u>	<u>\$ 5,389,434</u>	<u>\$ 570,482</u>	<u>\$ 1,716,842</u>	<u>\$ 6,857,624</u>	<u>\$ 6,601,826</u>

CITY OF RICHMOND, TEXAS

FUND BALANCES
GOVERNMENTAL FUNDS
(UNAUDITED)

LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year			
	2012	2013	2014	2015
General fund				
Nonspendable	\$ -	\$ -	\$ 2,864	\$ 3,886
Assigned	-	-	-	-
Unassigned	<u>1,131,452</u>	<u>1,695,266</u>	<u>2,500,539</u>	<u>3,536,945</u>
Total general fund	<u>\$ 1,131,452</u>	<u>\$ 1,695,266</u>	<u>\$ 2,503,403</u>	<u>\$ 3,540,831</u>
All other governmental funds				
Restricted:				
Debt service	\$ 875,125	\$ 625,051	\$ 637,862	\$ 671,887
Capital projects	1,196,461	7,205,198	7,187,551	3,036,998
Other	214,909	119,758	175,882	266,420
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 2,286,495</u>	<u>\$ 7,950,007</u>	<u>\$ 8,001,295</u>	<u>\$ 3,975,305</u>

TABLE 3

Fiscal Year					
2016	2017	2018	2019	2020	2021
\$ 13,478	\$ 8,510	\$ 13,873	\$ 24,558	\$ 6,301	\$ -
-	-	458,007	219,130	1,300,819	1,541,960
<u>4,705,714</u>	<u>4,945,363</u>	<u>5,462,369</u>	<u>5,576,426</u>	<u>5,841,903</u>	<u>7,827,018</u>
<u>\$ 4,719,192</u>	<u>\$ 4,953,873</u>	<u>\$ 5,934,249</u>	<u>\$ 5,820,114</u>	<u>\$ 7,149,023</u>	<u>\$ 9,368,978</u>
\$ 752,519	\$ 573,022	\$ 386,243	\$ 182,353	\$ 172,960	\$ 165,748
4,915,125	3,305,979	5,648,233	3,028,006	1,885,114	2,579,769
212,088	298,697	356,278	271,308	475,037	743,847
<u>-</u>	<u>(3,494)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 5,879,732</u>	<u>\$ 4,174,204</u>	<u>\$ 6,390,754</u>	<u>\$ 3,481,667</u>	<u>\$ 2,533,111</u>	<u>\$ 3,489,364</u>

CITY OF RICHMOND, TEXAS

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
(UNAUDITED)

LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year			
	2012	2013	2014	2015
REVENUES				
Taxes:				
Property	\$ 3,188,280	\$ 3,033,219	\$ 3,165,900	\$ 3,245,746
Sales and use	2,813,786	3,124,420	3,411,152	3,856,250
Franchise	705,143	749,861	714,824	742,401
Hotel/motel	-	-	-	-
Fines and forfeitures	318,837	391,778	456,305	598,244
Licenses and permits	182,580	378,338	377,713	251,208
Intergovernmental	593,314	620,415	4,672,711	2,262,965
Charges for services	2,411,351	2,547,642	3,027,678	3,497,621
Investment earnings	25,986	16,541	35,628	37,601
Contributions	-	-	-	-
Miscellaneous	747,337	61,246	52,090	150,132
Total revenues	<u>10,986,614</u>	<u>10,923,460</u>	<u>15,914,001</u>	<u>14,642,168</u>
EXPENDITURES				
General government	1,565,105	1,681,486	1,764,555	1,991,009
Public safety	6,289,985	6,467,967	6,867,739	7,064,212
Public works	2,442,678	2,287,018	2,534,669	2,627,117
Culture and recreation	394,024	409,587	395,813	379,089
Community development	-	-	-	58,046
Contracted Services	-	-	-	-
Capital outlay	3,116,088	1,444,579	4,500,246	6,522,278
Debt service:				
Principal	890,928	699,311	929,920	918,637
Interest and other charges	370,774	647,142	597,336	564,272
Total expenditures	<u>15,069,582</u>	<u>13,637,090</u>	<u>17,590,278</u>	<u>20,124,660</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,082,968)</u>	<u>(2,713,630)</u>	<u>(1,676,277)</u>	<u>(5,482,492)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,047,000	2,108,989	2,404,100	2,493,900
Transfers out	(234,381)	(251,224)	-	-
Insurance recovery	-	-	-	-
Bond issued	-	6,323,884	-	-
Premium on bonds issued	-	296,116	-	-
Payments to refunded bond escrow agent	-	(2,045,472)	-	-
Capital leases	40,411	2,265,000	79,149	-
Total other financing sources (uses)	<u>1,853,030</u>	<u>8,697,293</u>	<u>2,483,249</u>	<u>2,493,900</u>
NET CHANGE IN FUND BALANCES	<u>\$(2,229,938)</u>	<u>\$ 5,983,663</u>	<u>\$ 806,972</u>	<u>\$(2,988,592)</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	<u>9.0%</u>	<u>10.3%</u>	<u>11.7%</u>	<u>9.2%</u>

TABLE 4

		Fiscal Year									
		2016	2017	2018	2019	2020	2021				
\$	3,615,207	\$	3,679,654	\$	3,654,979	\$	3,624,399	\$	3,997,225	\$	4,077,062
	4,231,660		4,522,169		5,005,098		5,161,034		5,679,465		7,288,162
	761,412		800,274		759,287		810,817		768,560		743,722
	-		-		-		41,416		157,627		290,942
	491,454		416,659		377,380		442,728		279,532		192,596
	198,753		329,158		313,921		266,780		297,947		664,876
	1,202,031		2,468,284		1,663,695		1,321,118		1,622,440		1,478,040
	3,748,423		3,981,025		4,298,206		4,802,042		4,919,021		3,328,942
	8,239		13,298		7,084		25,343		97,004		7,680
	-		-		-		-		1,582,714		184,705
	74,848		303,627		338,460		457,903		80,422		138,900
	<u>14,332,027</u>		<u>16,514,148</u>		<u>16,418,110</u>		<u>16,953,580</u>		<u>19,481,957</u>		<u>18,395,627</u>
	2,070,135		1,980,842		2,663,234		3,205,749		3,361,669		3,914,461
	7,338,749		8,149,828		8,608,509		9,126,477		8,832,963		9,425,613
	2,962,370		3,064,484		3,371,555		3,202,470		3,335,905		1,471,454
	591,704		651,924		730,201		773,181		816,862		951,721
	134,920		244,518		250,614		258,140		298,009		255,227
	-		-		-		-		-		-
	2,442,203		4,159,061		1,182,860		2,624,107		3,619,585		691,222
	1,024,249		1,201,120		1,250,000		1,295,000		4,085,000		1,040,000
	663,604		603,218		752,313		629,650		661,988		535,844
	<u>17,227,934</u>		<u>20,054,995</u>		<u>18,809,286</u>		<u>21,114,774</u>		<u>25,011,981</u>		<u>18,285,542</u>
(	<u>2,895,907</u>)	(	<u>3,540,847</u>)	(	<u>2,391,176</u>)	(	<u>4,161,194</u>)	(	<u>5,530,024</u>)		<u>110,085</u>
	2,423,384		2,070,000		4,028,342		3,707,029		3,746,021		4,156,300
(	20,384)		-	(	1,947,233)	(	1,260,952)	(	659,021)	(	1,304,199)
	-		-		-		-		-		81,934
	3,375,000		-		3,405,000		-		2,525,000		-
	200,695		-		101,993		-		298,377		-
	-		-		-		-		-		-
	-		-		-		-		-		-
	<u>5,978,695</u>		<u>2,070,000</u>		<u>5,588,102</u>		<u>2,446,077</u>		<u>5,910,377</u>		<u>2,934,035</u>
\$	<u>3,082,788</u>	\$(	<u>1,470,847</u>)	\$	<u>3,196,926</u>	\$(	<u>1,715,117</u>)	\$	<u>380,353</u>	\$	<u>3,044,120</u>
	<u>10.8%</u>		<u>11.3%</u>		<u>11.5%</u>		<u>9.7%</u>		<u>22.2%</u>		<u>9.1%</u>

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			
2021	2020	\$ 313,003,830	\$ 526,227,437	\$ 59,268,070	\$ 322,683,007	\$ 575,816,330	0.68777
2020	2019	\$ 304,775,882	\$ 526,189,488	\$ 66,858,171	\$ 341,526,504	\$ 556,297,037	0.69990
2019	2018	286,856,577	509,443,504	66,154,935	344,804,407	517,650,609	0.69990
2018	2017	268,740,504	491,758,927	65,204,345	310,944,979	514,758,797	0.71000
2017	2016	255,834,815	482,722,025	57,026,778	312,417,700	483,165,918	0.73500
2016	2015	244,500,875	417,816,625	66,517,447	271,310,629	457,524,318	0.75500
2015	2014	222,059,615	393,692,525	61,290,328	268,799,985	408,242,483	0.77000
2014	2013	215,780,060	380,213,750	70,022,347	268,803,974	397,212,183	0.78000
2013	2012	202,121,195	368,121,195	67,294,981	261,595,051	375,942,320	0.78650
2012	2011	205,094,490	367,777,575	70,433,777	259,815,303	383,490,539	0.78650

(1) The value is the appraised value at original certification and fluctuates due to property owner protests and preliminary appraisal values at the time of certification.

(2) Property is assessed at actual value; therefore, the assessed values are equal to actual value

(3) Tax rate per \$100 assessed valuation.

Source: Tax assessor/collector records

CITY OF RICHMOND, TEXAS

PROPERTY TAX RATES (1)
 DIRECT AND OVERLAPPING GOVERNMENTS (2)
 LAST TEN FISCAL YEARS

Fiscal Year	City of Richmond			Lamar CISD	Fort Bend County	Total
	Maintenance Rate	Debt Service Rate	Total Tax Rate			
2021	0.50566	0.18211	0.68777	1.24200	0.45280	2.38257
2020	0.52540	0.17450	0.69990	1.26910	0.45321	2.42221
2019	0.54030	0.15960	0.69990	1.32000	0.46000	2.47990
2018	0.56520	0.14480	0.71000	1.39005	0.46900	2.56905
2017	0.52520	0.20980	0.73500	1.39005	0.47400	2.59905
2016	0.52900	0.22600	0.75500	1.39005	0.48600	2.63105
2015	0.54290	0.22710	0.77000	1.39005	0.49476	2.65481
2014	0.54380	0.23620	0.78000	1.39005	0.49976	2.66981
2013	0.54360	0.24290	0.78650	1.39005	0.49976	2.67631
2012	0.54670	0.23980	0.78650	1.39005	0.49976	2.67631

(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	2021			2012		
	Taxable Assessed Value (1)	Rank	% of Total Assessed Valuation (2)	Taxable Assessed Value (1)	Rank	% of Total Assessed Valuation (2)
Ransom Road Partners LLC	\$ 28,336,000	1	4.7%			
The Fairway at Bellevue LP	12,811,250	2	2.1%			-
Wal-Mart Real Estate Business Trust	10,759,790	3	1.8%	\$ 10,003,070	1	2.6%
Apex Bank	8,695,000	4	1.4%			-
Centerpoint Energy Electric	7,586,180	5	1.2%			-
Riverpointe Hospitality LLC	7,556,860	6	1.2%			-
Houston MOB 3 LLC	7,305,850	7	1.2%			-
Wolverine Mustang LP	6,978,600	8	1.1%			
Wal-Mart Stores Texas LLC	6,690,580	9	1.1%	9,710,950	2	2.5%
Richmond Self Storage Ltd	5,425,540	10	0.9%			-
Archer Daniel Midland Co			-	6,588,980	3	1.7%
Eastborne 59/Grand Parkway				6,449,650	4	1.7%
Hunter, Clayton, LLC				5,700,000	5	1.5%
G&I VI Country Club Place, LP				5,538,530	6	1.4%
Oakbend Hospital Authority				4,888,000	7	1.3%
Golfview Holdings LLC				3,901,390	8	1.0%
CenterPoint Energy Inc				3,830,600	9	1.0%
Southern Cotton Oil Co				<u>3,314,010</u>	10	<u>0.9%</u>
Subtotal	102,145,650		16.8%	59,925,180		15.6%
Other taxpayers	<u>506,847,009</u>		<u>83.2%</u>	<u>323,565,359</u>		<u>84.4%</u>
Total Assessed Valuation	\$ <u>608,992,659</u>		<u>100.0%</u>	\$ <u>383,490,539</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: Fort Bend Central Appraisal District

TABLE 8

CITY OF RICHMOND, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year	Tax Year	Tax Rate	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	Amount	Percentage of Levy
2021	2020	0.68777	\$ 3,994,247	\$ 3,915,395	98.0%	\$ -	\$ 3,915,396	98.0%	
2020	2019	0.69990	3,923,937	3,815,507	97.2%	8,040	3,823,547	97.4%	
2019	2018	0.69990	3,638,414	3,559,704	97.8%	73,710	3,633,414	99.8%	
2018	2017	0.71000	3,617,775	3,526,450	97.5%	54,785	3,581,235	99.0%	
2017	2016	0.73500	3,662,777	3,559,751	97.2%	77,769	3,637,519	99.3%	
2016	2015	0.75500	3,546,562	3,472,192	97.9%	50,849	3,523,041	99.3%	
2015	2014	0.77000	3,230,521	3,142,305	97.3%	69,744	3,212,049	99.4%	
2014	2013	0.78000	3,099,933	3,022,710	97.5%	62,937	3,085,647	99.5%	
2013	2012	0.78650	2,963,047	2,890,178	97.5%	59,875	2,950,053	99.6%	
2012	2011	0.78650	3,016,882	2,927,688	97.0%	74,401	3,002,089	99.5%	

CITY OF RICHMOND, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-Type Activities	
	General Obligation Bonds (1)	Certifications of Obligation (1)	Capital Leases (1)	Certificates of Obligation (1)	Capital Leases
2021	\$ 7,327,637	\$ 7,281,134	\$ -	\$ 17,013,298	\$ -
2020	8,010,985	7,707,936	-	18,233,327	-
2019	8,885,907	8,147,647	-	19,423,356	-
2018	9,818,335	8,558,639	-	20,583,384	-
2017	10,656,547	5,511,854	-	15,524,643	-
2016	11,524,289	5,807,432	81,120	16,184,983	-
2015	12,522,056	2,200,577	235,344	9,988,256	-
2014	13,252,056	2,260,577	391,086	-	-
2013	14,062,636	2,322,893	471,857	-	-
2012	8,266,079	-	601,167	1,855,000	-

- (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.

TABLE 9

<u>Total Primary Government</u>	<u>Percentage of Actual Taxable Value of Property (2)</u>	<u>Percentage of Personal Income (3)</u>	<u>Per Capita (3)</u>
\$ 31,622,069	5.49%	10.93%	\$ 2,639
33,952,248	6.10%	12.33%	2,806
36,456,910	6.55%	13.24%	2,942
38,960,358	7.57%	12.52%	3,167
31,693,044	6.56%	13.09%	2,621
33,597,824	7.34%	13.77%	2,768
24,946,233	6.11%	10.15%	2,076
15,903,719	4.00%	4.99%	1,323
16,857,386	4.48%	7.03%	1,446
10,722,246	2.80%	5.85%	918

CITY OF RICHMOND, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

Fiscal Year	General Obligation Bonds (1)	Certificates of Obligation (1)	Less: Amounts Available for Debt Service	Net Bonded Debt
2021	\$ 7,327,637	\$ 24,294,432	\$(177,173)	\$ 31,444,896
2020	8,010,985	25,941,263	(189,328)	33,762,920
2019	8,885,907	27,571,003	(187,254)	36,269,656
2018	9,818,335	29,142,023	(386,243)	38,574,115
2017	10,656,547	21,036,497	(573,022)	31,120,022
2016	11,524,289	21,992,415	(752,519)	32,764,185
2015	12,522,056	12,188,833	(637,862)	24,073,027
2014	13,252,056	2,260,577	(625,051)	14,887,582
2013	14,062,636	2,322,893	(625,051)	15,760,478
2012	8,266,079	1,855,000	(875,125)	9,245,954

- (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 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 Waterworks and Sewer System revenues.

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>
5.46%	10.87%	\$ 2,624
6.07%	12.27%	2,790
6.52%	13.18%	2,927
7.49%	12.39%	3,135
6.44%	12.85%	2,574
7.16%	13.43%	2,699
5.90%	9.80%	2,003
3.75%	4.67%	1,239
4.19%	6.57%	1,352
1.93%	4.03%	792

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CITY OF RICHMOND, TEXAS

**DIRECT AND OVERLAPPING GOVERNMENTAL
ACTIVITIES DEBT**

SEPTEMBER 30, 2021

<u>Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City</u>	<u>Estimated Debt Applicable to City</u>
Fort Bend County	\$ 632,206,234	0.66%	\$ 4,172,561
Fort Bend County Drainage District	25,405,000	0.66%	167,673
Lamar CISD	1,337,905,000	2.93%	<u>39,200,617</u>
Total Net Overlapping Debt			43,540,851
City of Richmond	14,608,771	100%	<u>14,608,771</u>
Total Direct and Overlapping Net Debt			<u>\$ 58,149,622</u>
Ratio of total direct and overlapping net debt to assessed valuation			10.10%
Direct and overlapping net debt per capita			\$ 4,853

Notes:

Methodology for deriving overlapping percentages:

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

Source: Texas Municipal Advisory Council

CITY OF RICHMOND, TEXAS
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS

Fiscal Year	Population	Personal Income	Per Capita Personal Income (1)	Median Age (1)	School Enrollment (2)
2021	11,982	\$ 289,329,354	\$ 24,147	33.5	-
2020	12,100	275,275,000	22,750	33.6	-
2019	12,391	275,204,110	22,210	33.3	-
2018	12,303	311,290,506	25,302	33.1	2,402
2017	12,092	242,166,484	20,027	34.8	2,373
2016	12,138	243,925,248	20,096	34.0	2,439
2015	12,018	245,683,974	20,443	33.0	2,401
2014	12,018	318,633,234	26,513	33.0	2,258
2013	11,654	239,866,088	19,514	31.9	2,316
2012	11,679	183,358,065	15,195	30.5	3,089

Data Sources:

- (1) Esri Community Profile
- (2) Lamar Consolidated Independent School District
- (3) Texas Workforce Commission
- (4) Reporting change in Lamar CISD 2019 Demographics report from School Enrollment to percent by Municipality

TABLE 12

<u>Lamar CISD District Enrollment (4)</u>	<u>Percent Distribution by Municipality (4)</u>	<u>Unemployment Rate (3)</u>
35,156	-	5.6%
33,444	-	8.3%
32,146	19.1%	3.5%
-	-	4.6%
-	-	5.3%
-	-	5.3%
-	-	4.3%
-	-	4.3%
-	-	5.5%
-	-	7.0%

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CITY OF RICHMOND, TEXAS

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

Employer	2021		2012	
	Employees	Rank	Employees	Rank
Lamar Consolidated ISD	5,410	1		
Fort Bend County	3,058	2	2,100	1
Richmond State School	1,336	3	1,341	2
Oak Bend Medical Center	1,166	4		
Oak Bend Hospital	1,115	5	446	3
Walmart	411	6	278	4
HEB Grocery Company	340	7	278	
Access Health	249	8		
City of Richmond	183	9	140	5
Wharton County Junior College	166	10		
T.W. Davis YMCA			135	6
Richmond Post Office			83	7
ADM Cotton Mill			39	8
NEPCO Foundry			35	9
Office Depot			6	10
Total	<u>13,434</u>		<u>4,881</u>	

Source: Development Corporation of Richmond

CITY OF RICHMOND, TEXAS

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

Function	2012	2013	2014	2015
General government	10	11	9	8
Public safety				
Police				
Officers	31	29	32	33
Civilians	13	12	10	10
Fire				
Firefighters	40	43	42	43
Civilians	4	4	4	5
Public works				
Adminstration	2	2	2	4
Streets and sanitation	12	11	11	11
Maintenance and operations	4	4	6	6
Parks and recreation	7	7	7	7
Water and sewer	33	31	34	38
	<u>33</u>	<u>31</u>	<u>34</u>	<u>38</u>
Total	<u>154</u>	<u>154</u>	<u>157</u>	<u>165</u>

Source: City personnel records

TABLE 14

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
13	13	13	22	23	23
31	31	31	35	35	35
12	14	14	13	15	15
43	42	44	40	38	38
10	10	10	6	6	6
5	5	5	2	3	3
11	12	13	13	13	13
5	5	5	5	4	4
6	6	6	6	6	6
<u>38</u>	<u>41</u>	<u>41</u>	<u>41</u>	<u>40</u>	<u>40</u>
<u>174</u>	<u>179</u>	<u>182</u>	<u>183</u>	<u>183</u>	<u>183</u>

CITY OF RICHMOND, TEXAS

OPERATING INDICATORS BY FUNCTION

LAST TEN FISCAL YEARS

Function	2012	2013	2014	2015
Police				
Arrests	323	467	353	589
Accident reports	181	197	207	207
Citations	3,456	3,897	3,922	2,767
Offense reports	973	1,178	1,167	1,056
Calls for service	20,475	22,268	22,862	23,168
Fire				
Fires	162	190	145	187
Explosions, fireworks	-	-	5	22
Rescue/emergency medical incident	1,680	1,862	2,070	2,382
Motor vehicle accidents	167	230	269	327
Hazardous condition, no fire	219	139	120	162
Service calls	394	363	331	308
Good intent calls	193	172	179	151
Fales alarm/false call/fire alarms	404	355	399	484
Special incident type, city ordiance violation	49	89	52	96
Automatic aid/mutual aid given	192	177	145	167
Automatic aid/mutual aid received	61	69	61	86
Total incident reports	3,521	3,646	3,776	4,372
Fire marshal				
Fire safety inspections conducted	270	200	260	247
Fire safety classes/total audience	0	0	0	0
Fire investigations initiated	35	36	32	12
Building permits				
Building - total permits issued	2,206	2,649	2,731	2,638
Building - total inspections conducted	3,961	5,763	8,426	9,105
Water				
Total consumption (millions of gallons)	819.000	825.755	820.761	869.066
Peak daily consumption (millions of gallons)	3.518	3.782	3.666	4.474
Average daily consumption (millions of gallons)	2.243	2.262	2.248	2.381
Sewer				
Average daily sewage treatment (millions of gallons)	1.533	1.336	1.341	1.354
Total comsumption (millions of gallons)	560.079	487.633	489.465	494.192
Peak daily consumption (millions of gallons)	5.778	3.541	3.908	6.102

TABLE 15

2016	2017	2018	2019	2020	2021
578	607	666	749	317	335
274	279	266	219	202	184
2,459	1,526	1,254	1,966	1,713	2,355
1,146	971	1,029	1,104	707	685
21,583	16,919	17,330	20,248	19,383	18,233
188	185	203	203	165	284
5	2	3	2	2	3
2,709	3,098	3,159	3,198	2,842	3,502
328	347	328	323	178	276
150	140	111	133	80	156
274	335	285	272	165	275
221	161	149	181	75	86
430	512	492	565	403	587
149	118	44	55	20	23
200	156	152	170	105	230
54	55	50	50	40	84
4,708	5,109	4,976	5,152	4,075	5,506
160	322	280	180	158	482
0	0	0	0	0	6/252
23	52	39	15	22	16
2,264	2,842	2,691	2,414	3,080	3,340
8,505	7,192	6,978	7,505	8,037	7,892
803.309	862.470	605.854	440.732	1,111.351	1,071.770
3.527	4.130	3.840	2.135	5.287	7.107
2.543	2.780	1.770	1.900	3.045	3.412
1.504	1.495	1.440	1.408	1.579	1.673
577.946	547.335	439.501	386.005	579.363	510.418
6.122	6.262	4.371	5.239	2.905	4.051

CITY OF RICHMOND, TEXAS

CAPITAL ASSETS STATISTICS BY FUNCTION

LAST TEN FISCAL YEARS

Function	2012	2013	2014	2015
Public safety				
Police				
Stations	1	1	1	1
Patrol units	23	23	23	23
Fire				
Fire stations	3	3	3	3
Public works				
Dump trucks	9	9	9	9
Streets (miles)	38	38	38	38
Parks and recreation				
Parks acreage	211	211	211	211
Parks	3	4	4	4
Water and sewer				
Water mains (miles)	53	54	54	54
Fire hydrants	290	290	290	290
Maximum daily capacity (millions of gallons)	7.171	7.171	7.171	7.171
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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
1	1	1	1	1	1
25	28	29	29	29	29
3	3	3	3	3	3
8	8	8	8	8	8
38	38	38	41	41	41
211	224	224	224	224	224
5	6	6	6	6	6
54	56	56	97	146	146
290	290	290	290	290	290
7.171	11.601	11.601	11.601	11.601	11.601
44	54	54	107	121	121
12	12	12	51	67	67
3.000	3.000	3.000	3.000	3.000	3.000

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COMPLIANCE SECTION

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

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Richmond, Texas (the “City”), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated February 21, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

OFFICE LOCATIONS

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Waco, Texas
February 21, 2022



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

We have audited the financial statements of City of Richmond, Texas (the "City") as of and for the year ended September 30, 2021 and have issued our report thereon dated February 21, 2022. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated December 1, 2021, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, and, as appropriate, our firm have complied with all relevant ethical requirements regarding independence.

As a part of the engagement, we assisted in preparing the financial statements and related notes to the financial statements of the City in conformity with U.S. generally accepted accounting principles based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services were not conducted in accordance with *Government Auditing Standards*.

OFFICE LOCATIONS

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



In order to ensure we maintain our independence for performing these nonaudit services, certain safeguards were applied to this engagement. Management assumed responsibility for the financial statements, related notes to the financial statements and any other nonaudit services we provided. Management acknowledged in the management representation letter our assistance with the preparation of the financial statements and related notes to the financial statements and that these items were reviewed and approved prior to their issuance and accepted responsibility for them. Further, the non-audit services were overseen by an individual within management that has the suitable skill, knowledge, or experience; evaluated the adequacy and results of the services; and accepted responsibility for them.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in the notes to the financial statements. As described in the notes to the financial statements, during the year, the entity changed its method of accounting for fiduciary activities by adopting Governmental Accounting Standards (GASB) Statement No. 84, *Fiduciary Activities*. Accordingly, the cumulative effect of the accounting change as of the beginning of the year has been reported in the financial statements. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of the useful lives of capital assets is based on the expected lifespan of the asset in accordance with standard guidelines. We evaluated the key factors and assumptions used to develop the estimate of useful lives in determining that it is reasonable in relation to the financial statements taken as a whole and in relation to the applicable opinion units.

Management's estimate of the allowance for uncollectible accounts receivable is based on historical experience of collection rates and is calculated as a percentage of the total receivable on September 30. We evaluated the key factors and assumptions used to develop the allowance for uncollectible accounts receivable in determining that it is reasonable in relation to the financial statements taken as a whole and in relation to the applicable opinion units.

Management's estimate of the net pension and other postemployment benefit (OPEB) liabilities is based on actuarial assumptions which are determined by the demographics of the plan and future projections that the actuarial makes based on historical information of the plan and the investment market. We evaluated the key factors and assumptions used to develop the net pension and OPEB liabilities and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the City's financial statements relate to: the TMRS pension and OPEB liabilities. The disclosures in the financial statements are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable opinion units.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated February 21, 2022.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the City, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City auditors.

New Accounting Pronouncement

Significant new accounting standards issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the City include the following:

Statement No. 87, *Leases* – This Statement will improve the accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities previously classified as operating leases. It establishes a single model for lease accounting based on the principle that leases are financing the right to use an underlying asset. Under the Statement a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resource, enhancing the relevance and consistency of information about leasing activities. This Statement will become effective for the City in fiscal year 2022.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* – The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. GASB 94 will become effective for the City in fiscal year 2024.

Statement No. 96, *Subscription-Based Information Technology Arrangements* – This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. GASB 96 will become effective for the City in fiscal year 2024.

Restriction on Use

This report is intended solely for the information and use of the City Commission and management of the City of Richmond, Texas and is not intended to be and should not be used by anyone other than these specified parties.

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

Waco, Texas
February 21, 2022