

# RICHMOND

EST. **TEXAS** 1837



## **City of Richmond, Texas**

### **Vision Statement**

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

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

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



**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**CITY OF RICHMOND, TEXAS**

**For the fiscal year ended  
September 30, 2016**

**Terri Vela  
City Manager**

**Prepared by  
Finance Department**



**CITY OF RICHMOND, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
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**CITY OF RICHMOND, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
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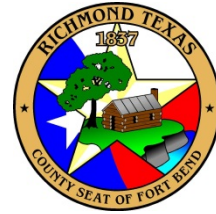
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## **Introductory Section**





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



March 28, 2017

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

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

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

The City's financial statements have been audited by Whitley Penn, LLP, Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2016, 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, 2016, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

## **PROFILE OF THE GOVERNMENT**

The City, incorporated in 1837 as one of the first three cities in the Republic of Texas, is located in Fort Bend County at the site of Stephen F. Austin's original colonies in Texas and currently occupies a land area 4.2 square miles and serves a population of 12,018. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Commission.

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

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

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

## **LOCAL ECONOMY**

The City of Richmond is home to a diversified group of industries. Major industries and business activities in the area include healthcare, metals, oil and gas services, higher education, hospitality and a variety of general retail operations. This diversification is evident in the fact that no single taxpayer represents more than 5.2% of assessed valuation in the City.

Taxable assessed value for all residential and commercial property in the City exceeded \$497 million for fiscal year 2016, which is a 9.54% increase from fiscal year 2015.

## **ECONOMIC OUTLOOK**

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

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

Currently, Johnson Development Corp. announced the builders in its new Veranda community in the Henderson-Wessendorff Foundation acreage. Planned for up to 2,500 homes, Veranda spans 590 acres near the northwest corner of Williams Way Boulevard and U.S. 59 in Richmond.

The homes, starting around \$190,000, will incorporate nostalgic elements such as expansive porches and other outdoors spaces in the designs. The model homes are expected to open this spring. Additionally, HEB is breaking ground for a new store located in the George Foundation acreage. The City will be sharing the sales tax proceeds 50/50 with the Municipal Utility District created on the George Foundation acreage.

With the continued decline in oil prices, we remain extremely cautious of our fragile economic environment and are budgeting accordingly. While our local economy is not directly tied to the oil industry, we understand the far reaching impacts of a prolonged down-turn in the energy sector. Consequently, our sales tax, which has seen enormous growth year over year, is budgeted to remain fairly stagnate for this coming year, even though we are cognizant of new businesses entering our market.

Average home values in the City continue to increase as new investments are being made. This year, the City has seen average home values increase from \$109,663 to \$116,120 for the fiscal year beginning October 1, 2016. Unemployment for our Metropolitan Statistical is beginning to rise to 5.3 percent, according to the Bureau of Labor Statistics.

## **ACCOUNTING SYSTEMS AND BUDGETING CONTROL**

### **Accounting Systems**

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

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

## **Budgetary Compliance**

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

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

## **Budget Process**

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

## **Submission of Budget and Budget Message**

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

## **Budget Message**

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

## **Budget a Public Record**

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

## **Public Hearing on Budget**

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

## **Proceeding on Adoption of Budget**

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

## **Budget Appropriation and Amount to be Raised by Taxation**

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

## **Amending the Budget**

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

## **Certification; Copies Made Available**

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

## **Capital Program**

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

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

## **Lapse of Appropriations**

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

## **Additional Funding**

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

## **Administration of the Budget**

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

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

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

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

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

## **LONG-TERM FINANCIAL PLANNING**

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

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

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

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

## **RELEVANT FINANCIAL IMPACTS**

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

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

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

## AWARDS AND ACKNOWLEDGEMENTS

### Awards

The Government Finance Officers Association (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (“CAFR”) for the fiscal year ended September 30, 2015. This was the twelfth year that the City received this prestigious award.

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

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

Other Awards:

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

### Recognitions

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

### Acknowledgements

In closing, without the dedication of the employees and the direction of the members of the City Commission, preparation of this report would not have been possible. We would like to express our sincere appreciation to our employees, who have continually demonstrated their professionalism and abilities in the management of the finance function. 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 progressive manner.

Respectfully submitted,



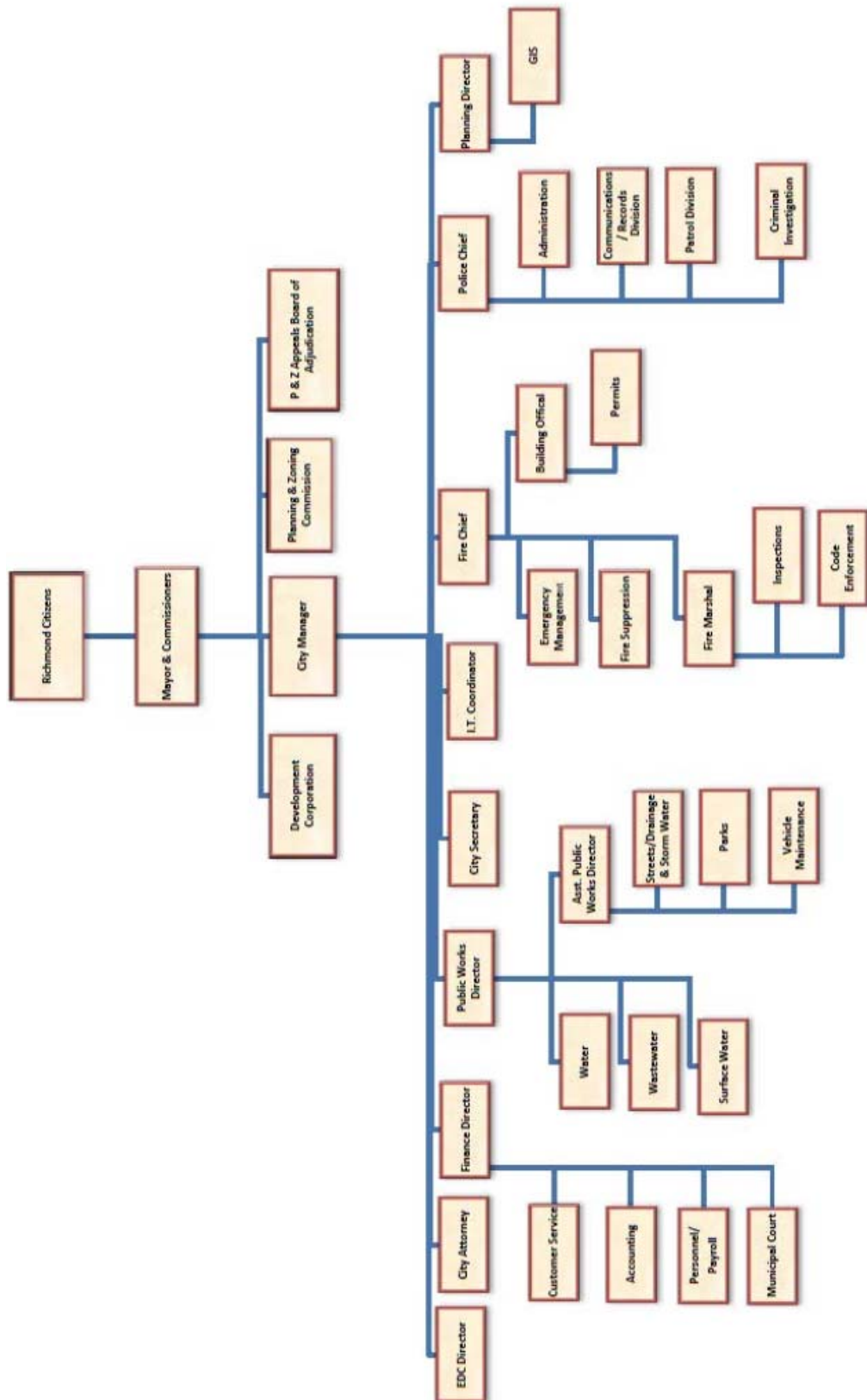
Terri Vela  
City Manager



Susan Lang  
Finance Director



**CITY OF RICHMOND, TEXAS**  
**ORGANIZATION CHART**  
 September 30, 2016



**CITY OF RICHMOND, TEXAS**

**PRINCIPAL CITY OFFICIALS**

*September 30, 2016*

<b>City Officials</b>	<b>Elective Position</b>	<b>Term Expires</b>
Evalyn W. Moore	Mayor	2017
Jesse Torres	Commissioner Position 1	2018
Barry C Beard	Commissioner Position 2	2019
Carl Drozd	Commissioner Position 3	2018
Josh Lockhart	Commissioner Position 4	2019

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

\* - City Commission Appointive Position



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Richmond  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2015**

Executive Director/CEO

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## **FINANCIAL SECTION**



## Report of Independent Auditors

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Richmond, Texas (the “City”) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

### Management’s Responsibility for the Financial Statements

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

### Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13, budgetary comparison information on pages 55 through 56, and pension system supplementary information on pages 57 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and 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 fund 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 fund 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.

*Whitley Penn LLP*

Houston, Texas  
March 28, 2017



## **CITY OF RICHMOND, TEXAS**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Richmond (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2016.

#### **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 \$59.1 million (*net position*). Of this amount, \$9.2 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$3.2 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10.6 million, a decrease of \$(3.1) over the prior year. Approximately 44% of this total amount, \$4.7 million, is *available for spending* at the government's discretion (*unassigned fund balance*).

#### **Overview of the Financial Statements**

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

#### **Government-wide Financial Statements**

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

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

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

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

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

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

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

**Fund Financial Statements**

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

**Governmental Funds**

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

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

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

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

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

**Proprietary Funds**

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

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

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

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

**Combining Component Unit Financial Statements**

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

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29 through 54 of this report.

**Other information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees and general fund budgetary comparisons. Required supplementary information can be found on pages 57 through 58 of the City's Comprehensive Annual Financial Report.

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

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$59.1 million (net position). At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

By far, the largest portion of the City's net position, 76%, reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

**Government-wide Financial Analysis (continued)**

The following table provides a summary of the City's net position at September 30, 2016 and 2015:

**CONDENSED SCHEDULE OF NET POSITION**

*September 30, 2016*

*Amounts in (000's)*

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Current and other assets	\$ 12,248	\$ 9,116	\$ 26,934	\$ 21,938	\$ 39,182	\$ 31,054
Capital assets	17,794	17,063	45,472	40,030	63,266	57,093
<b>Total Assets</b>	<b>30,042</b>	<b>26,179</b>	<b>72,406</b>	<b>61,968</b>	<b>102,448</b>	<b>88,147</b>
<b>Deferred outflows of resources</b>	<b>2,236</b>	<b>896</b>	<b>553</b>	<b>206</b>	<b>2,789</b>	<b>1,102</b>
Other liabilities	1,295	1,241	5,180	3,221	6,475	4,462
Long-term liabilities	18,108	15,554	16,247	10,055	34,355	25,609
Net pension liability	3,867	2,298	967	546	4,834	2,844
<b>Total Liabilities</b>	<b>23,270</b>	<b>19,093</b>	<b>22,394</b>	<b>13,822</b>	<b>45,664</b>	<b>32,915</b>
<b>Deferred inflows of resources</b>	<b>340</b>	<b>350</b>	<b>85</b>	<b>83</b>	<b>425</b>	<b>433</b>
<b>Net position:</b>						
Net investment in capital assets	5,322	5,130	39,690	39,834	45,012	44,964
Restricted	1,038	1,015	3,898		4,936	1,015
Unrestricted	2,308	1,487	6,892	8,435	9,200	9,922
<b>Total Net Position</b>	<b>\$ 8,668</b>	<b>\$ 7,632</b>	<b>\$ 50,480</b>	<b>\$ 48,269</b>	<b>\$ 59,148</b>	<b>\$ 55,901</b>

(1)

An additional portion of the City's net position, 8.3%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$9.2 million, may be used to meet the government's ongoing obligations to citizens and creditors.

The City's net position increased by \$3.2 million during the current fiscal year, demonstrating the ability of the City's revenues to keep pace with annual expenses.

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

**Government-wide Financial Analysis (continued)**

The following table summarizes the changes in net position for the City for the year ended September 30, 2016.

**CONDENSED SCHEDULE OF CHANGES IN NET POSITION**

*For the Year Ended September 30, 2016*

*Amounts in (000's)*

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues						
Program revenue:						
Charges for services	\$ 4,430	\$ 4,342	\$ 10,886	\$ 10,672	\$ 15,316	\$ 15,014
Operating grants and contributions	1,161	2,015			1,161	2,015
Capital grants and contributions			846	3,174	846	3,174
General revenues:						
Property taxes	3,615	3,274			3,615	3,274
Sales and use taxes	4,219	3,856			4,219	3,856
Franchise taxes	774	742			774	742
Unrestricted investment earnings	8	38	17	6	25	44
Miscellaneous	125	404			125	404
<b>Total Revenues</b>	<u>14,332</u>	<u>14,671</u>	<u>11,749</u>	<u>13,852</u>	<u>26,081</u>	<u>28,523</u>
Expenses:						
General government	2,148	2,029			2,148	2,029
Public safety	8,063	7,356			8,063	7,356
Public works	4,050	5,494			4,050	5,494
Parks and recreation	692	470			692	470
Community development	138	57			138	57
Interest on long-term debt	607	502			607	502
Water and sewer			5,620	5,725	5,620	5,725
Surface water			1,515	475	1,515	475
<b>Total Expenses</b>	<u>15,698</u>	<u>15,908</u>	<u>7,135</u>	<u>6,200</u>	<u>22,833</u>	<u>22,108</u>
Increase in net position before transfers	(1,366)	(1,237)	4,614	7,652	3,248	6,415
Transfers	2,403	2,494	(2,403)	(2,494)		
Change in net position	1,037	1,257	2,211	5,158	3,248	6,415
<b>Net Position - Beginning</b>	<u>7,632</u>	<u>6,375</u>	<u>48,269</u>	<u>43,111</u>	<u>55,901</u>	<u>49,486</u>
<b>Net Position - Ending</b>	<u>\$ 8,668</u>	<u>\$ 7,632</u>	<u>\$ 50,480</u>	<u>\$ 48,269</u>	<u>\$ 59,149</u>	<u>\$ 55,901</u>

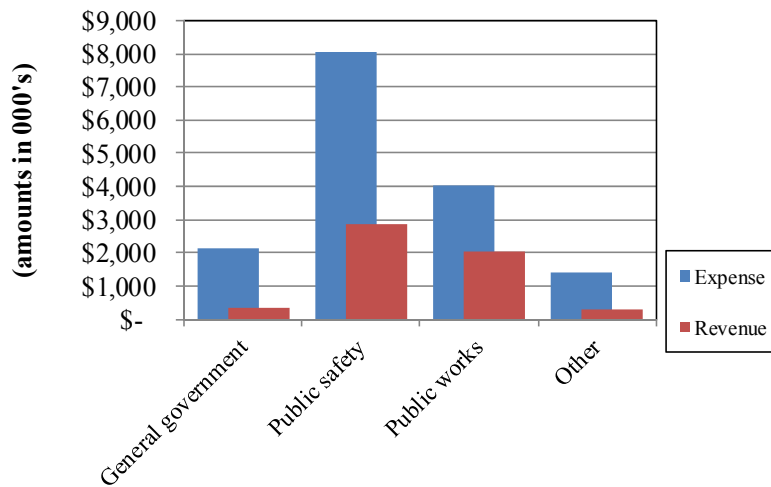
**CITY OF RICHMOND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Governmental Activities**

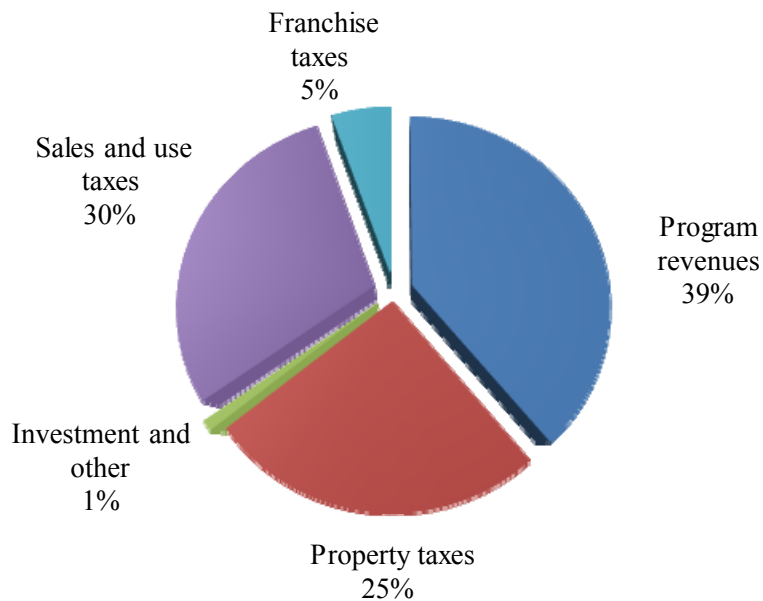
Governmental activities increased the City's net position by approximately \$1.0 million or 14% of beginning net position. The key elements of this increase are as follows:

- Increase in sales tax revenue of \$363,284 due to new commercial growth and an increase in consumer spending.
- Increase in service fees of \$87,729 which is comprised of growth related components such as garbage collection fees, inspection and plan review fees, and fire protection fees as per interlocal agreements with neighboring communities in the City's extraterritorial jurisdiction.

A comparison of program expenses to program revenues follows:

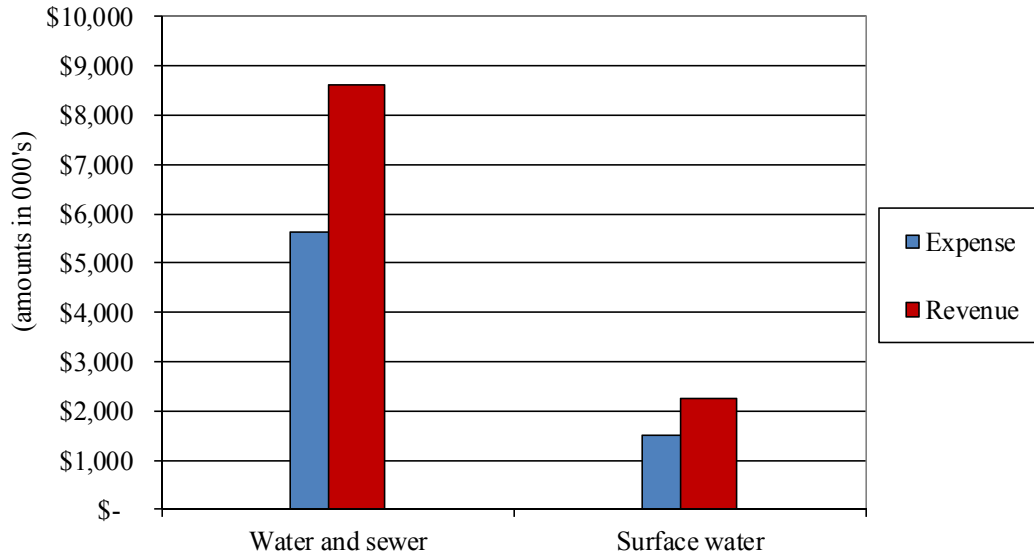


Revenue sources for governmental activities were distributed as follows:



**Business-type Activities**

Business-type activities increased the City's net position by approximately \$2.2 million. Operating revenues (charges for services) of the business-type activities increase by approximately \$214,000 as a result of an increase in ground water reduction fees and impact fees due to growth in and around the city's extraterritorial jurisdiction. A comparison between expenses relating to water and sewer operations and program revenues (charges for services) for water and sewer and surface water activities follows:



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

**Financial Analysis of the Government's Funds**

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

**Governmental Funds**

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

At the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$10.6 million, a decrease of approximately \$(3.1) million from the prior year. Key elements of this decrease are as follows:

- Total expenditures of the governmental funds were \$17.2 million, an increase of \$3.9 million from prior year. The major component of the increase is due to a reduction in construction activity from the prior year.

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

**Governmental Funds (continued)**

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance was \$4.7 million. The General Fund fund balance increased by \$1,178,361 from fiscal year 2015. The key elements of this increase are as follows:

- Sales and use tax revenue of \$4.2 million, which increased by \$375,410 as a result of increased commercial growth and consumer spending in the City.
- Revenues from charges for services of \$3.7 million, which increased by \$250,772 due to increased development around the City which increased billings for garbage collections and fire protection fees in the participating MUDs.

At the close of the current fiscal year, the City's capital projects fund reported a fund balance of \$4.9 million, a net increase of \$1,878,127 from the prior year. The increase is due to proceeds from the issuance construction bonds of \$3.4 million. The remaining fund balance is for future construction and various maintenance projects throughout the City.

**Proprietary Funds**

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

Unrestricted net position of the Water and Sewer Enterprise Fund at the end of the year amounted to \$0.5 million or 9% of annual operating and non-operating expenses for the fund.

The Surface Water Enterprise Fund, formerly reported as part of the Water and Sewer Enterprise Fund had an unrestricted net position of \$6.4 million or 686% of annual operating and non-operating expenses for the fund.

**General Fund Budgetary Highlights**

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

Actual revenues were less than budgeted revenues by \$183,601 primarily as a result of a decrease in intergovernmental revenues.

Appropriations exceeded expenditures, creating a positive variance to budget of \$985,362.



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

**Capital Asset and Debt Administration**

**Capital Assets**

At the end of fiscal year 2016, the City's governmental activities and business-type activities had invested \$17.8 million and \$45.5 million, respectively, in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents an increase of \$0.7 million, or 4% over the end of last fiscal year for the governmental activities' capital assets and a change of \$5.4 million or 14% for the business-type activities.

The following table shows the balances at September 30, 2015 and 2016 (in \$000's):

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land and intangibles	\$ 3,169	\$ 3,166	\$ 1,332	\$ 1,295	\$ 4,501	\$ 4,461
Construction in progress	158	4,437	13,831	7,521	13,989	11,958
Capital assets, net of depreciation:						
Buildings	8,237	4,175	6,614	6,790	14,851	10,965
Improvements other than buildings	2,234	2,263	2,699	2,962	4,934	5,225
Infrastructure	2,278	1,360	20,836	21,255	23,114	22,615
Machinery and equipment	1,718	1,662	160	209	1,878	1,871
<b>Total Capital Assets</b>	<b>\$ 17,794</b>	<b>\$ 17,063</b>	<b>\$ 45,472</b>	<b>\$ 40,030</b>	<b>\$ 63,266</b>	<b>\$ 57,093</b>

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

**Long-term Liabilities**

At the end of the current fiscal year, the City had total bonded debt outstanding of \$32.3 million. This is an increase from the prior year of \$8.3 million, primarily due to the issuance of new certificates of obligation for surface water construction. 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, 2015 and 2016, follows (in \$000's):

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Bonds payable						
General obligation bonds	\$ 11,335	\$ 12,165	\$	\$	\$ 11,335	\$ 12,165
Certificates of obligation	5,460	2,145	15,535	9,705	20,995	11,850
Bond issuance premiums/discouts	537	379	650	283	1,187	663
Capital leases	81	235			81	235
<b>Total Capital Assets</b>	<b>\$ 17,413</b>	<b>\$ 14,925</b>	<b>\$ 16,185</b>	<b>\$ 9,988</b>	<b>\$ 33,598</b>	<b>\$ 24,913</b>

On December 24, 2015, Standard & Poor's Ratings Services confirmed its long-term debt rating and underlying rating (SPUR) on the City's general obligation (GO) of 'AA-'. The outlook is stable.

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

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

**Economic Factors**

The planned development of over 1,000 acres of prime ranch land along the City's Interstate 69 (I-69) corridor is fueling a springboard of economic speculation and activity within the City's extraterritorial jurisdiction. Held by two private foundations with ties to the original settlers of Richmond, the prime acreage will be sustainable quality development which will create momentum for the benefit of Richmond's future generations. Partnership agreements are in place with both foundations to share in the sales tax generated from what is planned as high-end mixed use commercial and residential development in these areas. Additionally, water and sewer infrastructure capital contributions have been negotiated in order to augment the City's capital commitment during this period of growth. Richmond's best interest is the focus of these two major foundations which is truly unique not only to Richmond, but Fort Bend County as a whole.

Currently, Johnson Development Corp. announced the builders in its new Veranda community in the Henderson-Wessendorff Foundation acreage. Planned for up to 2,500 homes, Veranda spans 590 acres near the northwest corner of Williams Way Boulevard and U.S. 59 in Richmond.

The homes, starting around \$190,000, will incorporate nostalgic elements such as expansive porches and other outdoors spaces in the designs. The model homes are expected to open this spring. Additionally, HEB is breaking ground for a new store located in the George Foundation acreage. The City will be sharing the sales tax proceeds 50/50 with the Municipal Utility District created on the George Foundation acreage.

With the continued decline in oil prices, we remain extremely cautious of our fragile economic environment and are budgeting accordingly. While our local economy is not directly tied to the oil industry, we understand the far reaching impacts of a prolonged down-turn in the energy sector. Consequently, our sales tax, which has seen enormous growth year over year, is budgeted to remain fairly stagnate for this coming year, even though we are cognizant of new businesses entering our market.

Average home values in the City continue to increase as new investments are being made. This year, the City has seen average home values increase from \$109,663 to \$116,120 for the fiscal year beginning October 1, 2016. Unemployment for our Metropolitan Statistical is beginning to rise to 5.3 percent, according to the Bureau of Labor Statistics.

**Next Year's Budget and Rates**

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

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

**Comprehensive Master Plan Priorities (√ = Top Priority)**

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

Departments were also asked to review the key recommendations under the comprehensive master plan priorities and incorporate the accomplishments of the key recommendations into their respective departmental goals and objectives in order to highlight these often times overlooked achievements.

**Future priorities** include: Wastewater Infrastructure, Community Involvement, Regional Road Transportation, Downtown Revitalization, Regional Parks and Recreational Trail Systems

- Water and sewer rates remained the same for the fiscal year 2017 budget with a planned 10-cent increase in October, 2017 to the existing \$2.00 per 1,000 gallons usage for the mandated ground water reduction fee. Revenues received from the ground water reduction fee are allocated for the purpose of providing alternative water sources (surface water treatment plant) and to pay the associated construction debt of the surface water treatment plant.

**Requests for Information**

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

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## **BASIC FINANCIAL STATEMENTS**

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**CITY OF RICHMOND, TEXAS**  
**STATEMENT OF NET POSITION**  
**September 30, 2016**

	<u>Primary Government</u>			<b>Discretely Presented Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Assets</b>				
Cash and cash equivalents	\$ 10,211,110	\$ 25,151,302	\$ 35,362,412	\$ 6,121,704
Accounts receivable	1,593,133	1,777,175	3,370,308	358,298
Due from other governments	431,042		431,042	
Internal balances				
Prepaid expenses	13,978	4,628	18,606	
Capital assets, not subject to depreciation:	3,326,514	15,162,575	18,489,089	
Capital assets, net of depreciation:	14,467,189	30,309,033	44,776,222	
<b>Total Capital Assets</b>	<u>17,793,703</u>	<u>45,471,608</u>	<u>63,265,311</u>	
<b>Total Assets</b>	<u>30,042,966</u>	<u>72,404,713</u>	<u>102,447,679</u>	<u>6,480,002</u>
<b>Deferred Outflows of Resources:</b>				
Deferred charge on refunding	25,697		25,697	
Pension related items	2,210,111	552,527	2,762,638	
<b>Total Deferred Outflows of Resources</b>	<u>2,235,808</u>	<u>552,527</u>	<u>2,788,335</u>	
<b>Liabilities</b>				
Accounts payable and accrued expenses	1,239,580	5,156,754	6,396,334	220,148
Due to other governments	4,723		4,723	
Unearned revenue	1,990		1,990	
Accrued interest	49,000	23,420	72,420	
Long-term liabilities:				
Due within one year	1,270,676	636,165	1,906,841	
Due in more than one year	16,837,728	15,610,466	32,448,194	
Net Pension Liability	3,867,118	966,779	4,833,897	
<b>Total Liabilities</b>	<u>23,270,815</u>	<u>22,393,584</u>	<u>45,664,399</u>	<u>220,148</u>
<b>Deferred Outflows of Resources:</b>				
Pension related items	339,570	84,893	424,463	
<b>Net Position</b>				
Net investment in capital assets	5,321,684	39,690,192	45,011,876	
Restricted for:				
Debt service	826,386		826,386	
Community projects	24,400	3,898,062	3,922,462	6,258,859
Public safety	187,688		187,688	
Unrestricted	2,308,231	6,890,509	9,198,740	995
<b>Total Net Position</b>	<u>\$ 8,668,389</u>	<u>\$ 50,478,763</u>	<u>\$ 59,147,152</u>	<u>\$ 6,259,854</u>

See Notes To Basic Financial Statements.

**CITY OF RICHMOND, TEXAS**  
**STATEMENT OF ACTIVITIES**  
*For the Year Ended September 30, 2016*

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government</b>				
Governmental Activities:				
General government	\$ 2,148,288	\$	\$ 364,143	\$
Public safety	8,063,344	2,437,425	450,356	
Public works	4,050,246	1,992,205	30,520	
Parks and recreation	692,201			
Community development	137,820			
Interest on long-term debt	606,835		316,026	
<b>Total governmental activities</b>	<u>15,698,734</u>	<u>4,429,630</u>	<u>1,161,045</u>	
Business-type activities:				
Water and sewer	5,619,871	8,621,016		845,591
Surface water	1,515,334	2,264,919		
Total business-type activities	<u>7,135,205</u>	<u>10,885,935</u>		<u>845,591</u>
<b>Total primary government</b>	<u>\$ 22,833,939</u>	<u>\$ 15,315,565</u>	<u>\$ 1,161,045</u>	<u>\$ 845,591</u>
<b>Component Units</b>				
Development Corporation of Richmond	\$ 994,800			
Total component units	<u>\$ 994,800</u>			

**General revenues:**

Taxes:

Property taxes

Sales and use taxes

Franchise taxes

Unrestricted investment earnings

Miscellaneous

**Transfers**

**Total general revenues and transfers**

Change in net position

**Net Position - Beginning**

**Net Position - Ending**

*See Notes to Basic Financial Statements.*



<b>Net (Expense) Revenue and Changes in Net Position</b>			
<b>Primary Government</b>			<b>Discretely Presented Component Units</b>
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Governmental Activities</b>
\$ (1,784,145)	\$	\$ (1,784,145)	
(5,175,563)		(5,175,563)	
(2,027,521)		(2,027,521)	
(692,201)		(692,201)	
(137,820)		(137,820)	
(290,809)		(290,809)	
<u>(10,108,059)</u>		<u>(10,108,059)</u>	
	3,846,736	3,846,736	
	749,585	749,585	
	<u>4,596,321</u>	<u>4,596,321</u>	
<u>(10,108,059)</u>	<u>4,596,321</u>	<u>(5,511,738)</u>	
			\$ (994,800)
			<u>(994,800)</u>
3,615,207		3,615,207	
4,219,534		4,219,534	1,406,511
773,538		773,538	
8,239	16,943	25,182	2,809
124,834		124,834	15,244
2,403,000	(2,403,000)		
<u>11,144,352</u>	<u>(2,386,057)</u>	<u>8,758,295</u>	<u>1,424,564</u>
1,036,293	2,210,264	3,246,557	429,764
7,632,096	48,268,499	55,900,595	5,830,090
<u>\$ 8,668,389</u>	<u>\$ 50,478,763</u>	<u>\$ 59,147,152</u>	<u>\$ 6,259,854</u>

**CITY OF RICHMOND, TEXAS**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

*September 30, 2016*

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 4,273,041	\$ 5,042,428	\$ 895,641	\$ 10,211,110
Taxes receivable, net	1,140,079		122,867	1,262,946
Other receivables	329,161	1,026		330,187
Due from other governments	185,814		245,228	431,042
Prepaid items	13,478		500	13,978
<b>Total Assets</b>	<u>\$ 5,941,573</u>	<u>\$ 5,043,454</u>	<u>\$ 1,264,236</u>	<u>\$ 12,249,263</u>
<b>Liabilities</b>				
Accounts payable	\$ 939,203	\$ 128,329	\$ 172,038	\$ 1,239,570
Due to other governments			4,723	4,723
Unearned revenue	2,000			2,000
<b>Total Liabilities</b>	<u>941,203</u>	<u>128,329</u>	<u>176,761</u>	<u>1,246,293</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenues - property taxes	281,178		122,868	404,046
<b>Total Deferred Inflows of Resources</b>	<u>281,178</u>		<u>122,868</u>	<u>404,046</u>
<b>Fund balances:</b>				
Nonspendable	13,478			13,478
Restricted:				
Debt service			752,519	752,519
Capital projects		4,915,125		4,915,125
Public safety			187,688	187,688
Community projects			24,400	24,400
Unassigned	4,705,714			4,705,714
<b>Total Fund Balances</b>	<u>4,719,192</u>	<u>4,915,125</u>	<u>964,607</u>	<u>10,598,924</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 5,941,573</u>	<u>\$ 5,043,454</u>	<u>\$ 1,264,236</u>	<u>\$ 12,249,263</u>

*See Notes to Basic Financial Statements.*

**CITY OF RICHMOND, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**September 30, 2016**

Total fund balance, governmental funds \$ 10,598,924

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. 17,793,703

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 404,046

Deferred gain/loss on refunding 25,697

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 (16,795,000)

Premium/discount on bonds payable (536,721)

Capital lease obligation (81,120)

Accrued long-term interest (49,000)

Compensated absences (695,563)

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

Deferred outflows - pension related items 2,210,111

Net Pension Liability (3,867,118)

Deferred inflows - pension related items (339,570)

Net Position of Governmental Activities in the Statement of Net Position \$ 8,668,389

*See Notes to Basic Financial Statements.*

**CITY OF RICHMOND, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2016**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Taxes:				
Property taxes	\$ 2,530,641	\$	\$ 1,084,566	\$ 3,615,207
Sales and use taxes	4,231,660			4,231,660
Franchise taxes	761,412			761,412
Fines and forfeitures	479,451		12,003	491,454
Licenses and permits	198,753			198,753
Intergovernmental	446,699	80,506	674,826	1,202,031
Charges for services	3,748,423			3,748,423
Investment earnings	3,960	2,431	1,848	8,239
Miscellaneous	62,024		12,824	74,848
<b>Total Revenues</b>	<u>12,463,023</u>	<u>82,937</u>	<u>1,786,067</u>	<u>14,332,027</u>
<b>Expenditures</b>				
Current:				
General government	2,070,135			2,070,135
Public safety	7,333,999		4,750	7,338,749
Public works	2,947,218		15,152	2,962,370
Culture and recreation	591,704			591,704
Community development	134,920			134,920
Capital Outlay	312,873	1,711,162	418,168	2,442,203
Debt Service:				
Principal	134,249		890,000	1,024,249
Interest and other charges	2,480	89,727	571,397	663,604
<b>Total Expenditures</b>	<u>13,527,578</u>	<u>1,800,889</u>	<u>1,899,467</u>	<u>17,227,934</u>
Revenues over (under) expenditures	<u>(1,064,555)</u>	<u>(1,717,952)</u>	<u>(113,400)</u>	<u>(2,895,907)</u>
<b>Other Financing Sources (Uses)</b>				
Issuance of general obligation bonds		3,375,000		3,375,000
Premium on issuance of bonds		200,695		200,695
Transfers in	2,263,300	20,384	139,700	2,423,384
Transfers out	(20,384)			(20,384)
<b>Total other financing sources (uses)</b>	<u>2,242,916</u>	<u>3,596,079</u>	<u>139,700</u>	<u>5,978,695</u>
Net Changes in Fund Balances	1,178,361	1,878,127	26,300	3,082,788
<b>Fund Balances - Beginning of Year</b>	<u>3,540,831</u>	<u>3,036,998</u>	<u>938,307</u>	<u>7,516,136</u>
<b>Fund Balances - End of Year</b>	<u>\$ 4,719,192</u>	<u>\$ 4,915,125</u>	<u>\$ 964,607</u>	<u>\$ 10,598,924</u>

See Notes to Basic Financial Statements.

**CITY OF RICHMOND, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2016**

Net change in fund balances - total governmental funds: \$ 3,082,788

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

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

This is the amount by which capital outlay of \$1,565,270 exceeded depreciation of \$834,602 in the current period. 730,668

Governmental funds report the proceeds of bonds as an other financial source or an increase to fund balance. In contrast, the Statement of Activities treats such proceeds as an increase in long-term liabilities. (3,575,695)

Governmental funds report repayment of bond principal and capital leases as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount of payments made on long-term debt. 1,044,224

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

Bond issuance costs  
 Bond premiums/discounts 43,321  
 Gain/loss on refunding (3,325)

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 (3,200)  
 Changes in accrued compensated absences (65,882)

Pension contributions made after the net pension liability date are reported as expenditures in the governmental funds and are reported as deferred outflows on the face of the statement of net position. 621,885

Pension expense does not represent a use of current resources and is not recognized in the fund financial statements. (838,491)

Change in net position of governmental activities \$ 1,036,293

*See Notes to Basic Financial Statements.*

**CITY OF RICHMOND, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**September 30, 2016**

	<b>Business-type Activities</b>		
	<b>Water and Sewer</b>	<b>Surface Water</b>	<b>Total</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 6,454,344	\$ 18,696,958	\$ 25,151,302
Accounts receivable, net	1,465,365	311,810	1,777,175
Prepaid expenses	4,628		4,628
<b>Total Current Assets</b>	<b>7,924,337</b>	<b>19,008,768</b>	<b>26,933,105</b>
Non-current assets:			
Capital assets			
Land and improvements	1,294,923	36,969	1,331,892
Construction in progress	5,067,925	8,762,758	13,830,683
Infrastructure	44,177,434	377,105	44,554,539
Buildings	10,098,586	999,416	11,098,002
Improvements other than buildings	4,232,673		4,232,673
Equipment and furniture	1,263,558		1,263,558
Less accumulated depreciation	(30,807,181)	(32,558)	(30,839,739)
<b>Total Non-Current Assets</b>	<b>35,327,918</b>	<b>10,143,690</b>	<b>45,471,608</b>
<b>Total Assets</b>	<b>43,252,255</b>	<b>29,152,458</b>	<b>72,404,713</b>
<b>Deferred Outflows of Resources</b> - pension related items	552,527		552,527
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	2,270,258	2,085,800	4,356,058
Due to other funds		98,670	98,670
Deposits	706,043		706,043
Accrued interest payable	6,797	12,606	19,403
Compensated absences	6,165		6,165
Bonds, notes and loans payable		630,000	630,000
<b>Total Current Liabilities</b>	<b>2,989,263</b>	<b>2,827,076</b>	<b>5,816,339</b>
Non-current liabilities:			
Compensated absences	55,483		55,483
Bonds, notes and loans payable		15,554,983	15,554,983
Net pension Liability	966,779		966,779
<b>Total Non-Current Liabilities</b>	<b>1,022,262</b>	<b>15,554,983</b>	<b>16,577,245</b>
<b>Total Liabilities</b>	<b>4,011,525</b>	<b>18,382,059</b>	<b>22,393,584</b>
<b>Deferred Inflows of Resources</b> - pension related items	84,893		84,893
<b>Net Position</b>			
Net investment in capital assets	35,327,918	4,362,274	39,690,192
Restricted for capital projects	3,898,062		3,898,062
Unrestricted	482,384	6,408,125	6,890,509
<b>Total Net Position</b>	<b>\$ 39,708,364</b>	<b>\$ 10,770,399</b>	<b>\$ 50,478,763</b>

See Notes to Basic Financial Statements.

**CITY OF RICHMOND, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND**  
*For the Year Ended September 30, 2016*

	<b>Business-type Activities</b>		
	<b>Water and Sewer</b>	<b>Surface Water</b>	<b>Total</b>
<b>Operating Revenues</b>			
Charges for services	\$ 8,621,016	\$ 2,264,919	\$ 10,885,935
<b>Total Operating Revenues</b>	<u>8,621,016</u>	<u>2,264,919</u>	<u>10,885,935</u>
<b>Operating Expenses</b>			
Personnel services	2,285,476	14,301	2,299,777
Supplies	26,312		26,312
Contracted services	150,065		150,065
Other	1,771,034	920,231	2,691,265
Depreciation	1,386,984	32,558	1,419,542
<b>Total Operating Expenses</b>	<u>5,619,871</u>	<u>967,090</u>	<u>6,586,961</u>
<b>Operating income (loss)</b>	<u>3,001,145</u>	<u>1,297,829</u>	<u>4,298,974</u>
<b>Non-Operating Revenues (Expenses)</b>			
Interest and investment revenue	4,391	12,552	16,943
Interest expense		(430,429)	(430,429)
Cost of issuance		(117,815)	(117,815)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>4,391</u>	<u>(535,692)</u>	<u>(531,301)</u>
<b>Income before Transfers</b>	3,005,536	762,137	3,767,673
Capital contributions	845,591		845,591
Transfers in		4,737,327	4,737,327
Transfers out	(7,140,327)		(7,140,327)
Change in Net Position	(3,289,200)	5,499,464	2,210,264
<b>Total Net Position - Beginning of Year</b>	<u>42,997,564</u>	<u>5,270,935</u>	<u>48,268,499</u>
<b>Total Net Position - End of Year</b>	<u>\$ 39,708,364</u>	<u>\$ 10,770,399</u>	<u>\$ 50,478,763</u>

*See Notes to Basic Financial Statements.*

**CITY OF RICHMOND, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
*For the Year Ended September 30, 2016*

	<b>Business-type Activities</b>		
	<b>Sewer</b>	<b>Surface Water</b>	<b>Total</b>
<b>Cash Flows From Operating Activities</b>			
Receipts from customers and users	\$ 8,608,355	\$ 2,230,542	\$ 10,838,897
Disbursed for personnel services	(2,214,655)	(14,301)	(2,228,956)
Disbursed for goods and services	(2,040,071)	(926,236)	(2,966,307)
<b>Net cash provided by operating activities</b>	<u>4,353,629</u>	<u>1,290,005</u>	<u>5,643,634</u>
<b>Cash Flows From Noncapital Financing Activities</b>			
Transfers to other funds	(2,587,742)	(2,800)	(2,590,542)
<b>Net cash used by noncapital financing activities</b>	<u>(2,587,742)</u>	<u>(2,800)</u>	<u>(2,590,542)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Proceeds from issuance of debt		6,422,067	6,422,067
Principal payments on debt		(195,000)	(195,000)
Interest paid on capital debt		(448,163)	(448,163)
Issuance cost on debt		(117,815)	(117,815)
Acquisition and construction of capital assets	(576,267)	(3,386,436)	(3,962,703)
<b>Cash flows from capital and related financing activities</b>	<u>(576,267)</u>	<u>2,274,653</u>	<u>1,698,386</u>
<b>Cash Flows From Investing Activities</b>			
Interest received	4,391	12,552	16,943
<b>Net cash used by investing activities</b>	<u>4,391</u>	<u>12,552</u>	<u>16,943</u>
Net increase (decrease) in cash and cash equivalents	1,194,011	3,574,410	4,768,421
<b>Cash and cash equivalents - beginning of year</b>	<u>5,260,333</u>	<u>15,122,548</u>	<u>20,382,881</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 6,454,344</u>	<u>\$ 18,696,958</u>	<u>\$ 25,151,302</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating Income	\$ 3,001,145	\$ 1,297,829	\$ 4,298,974
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,386,984	32,558	1,419,542
(Increase) decrease in accounts receivable	(3,376)	(34,377)	(37,753)
(Increase) decrease in prepaid expenses	(4,628)		(4,628)
(Increase) decrease in deferred outflows of resources relating to pensions	(346,516)		(346,516)
Increase (decrease) in accounts payable	(88,032)	(6,005)	(94,037)
Increase (decrease) in customer deposits	(9,285)		(9,285)
Increase (decrease) in accrued compensated absences	(5,569)		(5,569)
Increase (decrease) in net pension liability	421,073		421,073
Increase (decrease) in deferred inflows of resources relating to pensions	1,833		1,833
<b>Net cash provided by operating activities</b>	<u>\$ 4,353,629</u>	<u>\$ 1,290,005</u>	<u>\$ 5,643,634</u>
<b>Noncash investing, capital, and financing activities:</b>			
Contributions of capital assets	<u>\$ 845,591</u>	<u>\$</u>	<u>\$ 845,591</u>

See Notes to Basic Financial Statements.



**CITY OF RICHMOND, TEXAS**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**COMBINING STATEMENT OF NET POSITION**  
*September 30, 2016*

	<b>Governmental Activities</b>		
	<b>Totals</b>	<b>Development Corporation of Richmond</b>	<b>Richmond Higher Education Finance Corporation</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 6,121,704	\$ 6,120,709	\$ 995
Accounts receivable	358,298	358,298	
<b>Total Assets</b>	<u>6,480,002</u>	<u>6,479,007</u>	<u>995</u>
<b>Liabilities</b>			
Accounts payable and accrued expenses	220,148	220,148	
<b>Total Liabilities</b>	<u>220,148</u>	<u>220,148</u>	
<b>Net Position</b>			
Restricted for:			
Community projects	6,258,859	6,258,859	
Unrestricted	995		995
<b>Total Net Position</b>	<u>\$ 6,259,854</u>	<u>\$ 6,258,859</u>	<u>\$ 995</u>

*See Notes to Basic Financial Statements.*

**CITY OF RICHMOND, TEXAS**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**COMBINING STATEMENT OF ACTIVITIES**  
*For the Year Ended September 30, 2016*

	<b>Governmental Activities</b>		
	<b>Totals</b>	<b>Development Corporation of Richmond</b>	<b>Richmond Higher Education Finance Corporation</b>
<b>General Revenues</b>			
Taxes:			
Sales and use taxes	\$ 1,406,511	\$ 1,406,511	\$
Unrestricted investment earnings	2,809	2,809	
Miscellaneous	15,244	15,244	
Total general revenues and transfers	<u>1,424,564</u>	<u>1,424,564</u>	
<b>Expenses</b>			
Economic development	742,412	742,412	
Intergovernmental	252,388	252,388	
Total expenses	<u>994,800</u>	<u>994,800</u>	
Change in net position	429,764	429,764	
<b>Net Position - Beginning</b>	<u>5,830,090</u>	<u>5,829,095</u>	<u>995</u>
<b>Net Position - Ending</b>	<u>\$ 6,259,854</u>	<u>\$ 6,258,859</u>	<u>\$ 995</u>

*See Notes to Basic Financial Statements.*

**CITY OF RICHMOND, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**Note 1 - Organization**

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

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

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

**Note 2 - Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

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

**Development Corporation of Richmond**

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

**Richmond Higher Education Finance Corporation**

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

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

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

**Note 2 - Summary of Significant Accounting Policies (continued)**

**A. Reporting Entity (continued)**

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

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

**B. Government-wide and Fund Financial Statements**

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

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

## CITY OF RICHMOND, TEXAS

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

#### Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

Property taxes collected within 60 days subsequent to September 30, 2016, 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, 2016, have been recorded as receivables and revenue. Licenses and permits and fines are not susceptible to accrual since they are not measurable until received. Revenue on federal and state cost-reimbursement grants is accrued when the related expenditures are incurred. Interest is recorded when earned.

The City reports the following major governmental funds:

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

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

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

**Note 2 - Summary of Significant Accounting Policies (continued)**

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

The City has two major 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 and was formerly reported as a part of the *Water and Sewer Enterprise Fund*.

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

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

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

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

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

**D. Cash and Cash Equivalents**

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

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

**Note 2 - Summary of Significant Accounting Policies (continued)**

**E. Investments**

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

**F. Receivables**

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

**G. Due to and from Other Funds**

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

**H. Inventories and Prepaid Items**

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

**I. Capital Assets**

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

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

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

## **CITY OF RICHMOND, TEXAS**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **J. Compensated Absences**

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

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

##### **K. Deferred Outflows/Inflows of Resources**

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

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows of resources for pension activities - Reported in the government wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period.

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

- Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflows of resources for pension activities - Reported in the government wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual investment earnings and differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The deferred outflows relating to plan investment earnings will be amortized over a period of five year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.



## **CITY OF RICHMOND, TEXAS**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **K. Deferred Outflows/Inflows of Resources (continued)**

- Deferred inflows of resources for pension activities - Reported in the government wide financial statement of net position, this deferred inflow results from differences between expected and actual actuarial experiences as well as changes in actuarial assumptions used in determining total pension liability. These pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

##### **L. General Property Taxes**

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

##### **M. Debt Service**

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

##### **N. Use of Estimates**

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

##### **O. Bond Discounts/Premiums**

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

##### **P. Fund Equity**

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

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

**Note 2 - Summary of Significant Accounting Policies (continued)**

**P. Fund Equity (continued)**

Beginning with fiscal year 2011, the City implemented GASB Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions.” This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

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

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

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

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

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

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

The City does not have a formal fund balance policy at this time, however it strives to maintain at least a 90 day operating reserve

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

**Q. Revenues and Expenditures/Expenses**

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

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

## **CITY OF RICHMOND, TEXAS**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **R. Post-employment Healthcare Benefits**

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

##### **S. Pensions**

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

##### **U. New Accounting Standards**

In the current fiscal year, the City implemented the following new standard:

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

#### **Note 3 - Deposits (Cash) and Investments**

##### **Authorization for Deposits and Investments**

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

In accordance with applicable statutes, the City has a depository contract with an area bank (depository) providing for interest rates to be earned on deposited funds and for banking charges the City incurs for banking services received. The City may place funds with the depository in interest and non-interest bearing accounts. State law provides that collateral pledged as security for bank deposits must have a market value of not less than the amount of the deposits and must consist of: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas; and/or (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent. City policy requires the collateralization level to be at least 102% of market value of principal and accrued interest

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

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

**Authorization for Deposits and Investments (continued)**

The Commission has adopted a written investment policy regarding the investment of City funds as required by the Public Funds Investment Act (Chapter 2256, Texas Government Code). The investments of the City are in compliance with the City’s investment policy. It is the City’s policy to restrict its direct investments to obligations of the U.S. Government or U.S. Government Agencies, fully collateralized certificates of deposit, and brokered certificates of deposit fully insured by the State of Texas, repurchase agreements, commercial paper, obligations of the State of Texas or other state agencies, and local government investment pools. The maximum maturity allowed is three years from date of purchase. The City’s investment policy does not allow investments in bankers' acceptances, mutual funds, and floating rate investments or swaps.

**Deposit and Investment Amounts**

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

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

	<u>Total Fair Value</u>	
	<u>Primary</u>	<u>Component</u>
	<u>Government</u>	<u>Units</u>
Cash Deposits	<u>\$ 35,362,412</u>	<u>\$ 6,121,704</u>

At September 30, 2016, all of the City's deposits were entirely covered by federal depository insurance or by collateral held by the City's agent in the City's name.

**Interest Rate Risk**

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

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

**CITY OF RICHMOND, TEXAS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

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

**Concentration of Credit Risk**

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

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

**Note 4 - Receivables**

Amounts recorded as receivables as of September 30, 2016, for the government's individual major and non-major funds, including the applicable allowance for uncollectible accounts, are as follows:

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Water and Sewer</b>	<b>Surface Water</b>	<b>Discretely Presented Component Units</b>	<b>Total</b>
<b>Receivables:</b>							
Sales and use taxes	\$ 743,647	\$	\$	\$	\$	\$ 358,298	\$ 1,101,945
Property taxes	340,261		166,022				506,283
Franchise taxes	115,254						115,254
Customer accounts	289,278			1,465,365	311,810		2,066,453
Other	39,883	1,026					40,909
<b>Gross Receivables</b>	<u>1,528,323</u>	<u>1,026</u>	<u>166,022</u>	<u>1,465,365</u>	<u>311,810</u>	<u>358,298</u>	<u>3,830,844</u>
Less: allowance for uncollectibles	<u>(59,083)</u>		<u>(43,155)</u>				<u>(102,238)</u>
<b>Net Total Receivables</b>	<u>\$ 1,469,240</u>	<u>\$ 1,026</u>	<u>\$ 122,867</u>	<u>\$ 1,465,365</u>	<u>\$ 311,810</u>	<u>\$ 358,298</u>	<u>\$ 3,728,606</u>

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

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

**Note 5 - Capital Assets**

A summary of activity for governmental activities capital assets for the year ended September 30, 2016, follows:

	<u>Balance 9/30/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2016</u>
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 3,165,885	\$ 2,849	\$	\$ 3,168,734
Construction in progress	4,436,915	66,638	(4,345,773)	157,780
<b>Total capital assets, not being depreciated</b>	<b>7,602,800</b>	<b>69,487</b>	<b>(4,345,773)</b>	<b>3,326,514</b>
Capital assets being depreciated:				
Buildings	5,606,020	4,102,751		9,708,771
Improvements other than buildings	3,363,461	30,069		3,393,530
Infrastructure	7,558,005	1,318,570		8,876,575
Machinery and equipment	6,793,204	390,167	(127,820)	7,055,551
<b>Total capital assets being depreciated</b>	<b>23,320,690</b>	<b>5,841,557</b>	<b>(127,820)</b>	<b>29,034,427</b>
Less accumulated depreciation for:				
Buildings	(1,431,092)	(40,474)		(1,471,566)
Improvements other than buildings	(1,100,638)	(58,449)		(1,159,087)
Infrastructure	(6,197,958)	(400,844)		(6,598,802)
Machinery and equipment	(5,130,766)	(334,837)	127,820	(5,337,783)
<b>Total accumulated depreciation</b>	<b>(13,860,454)</b>	<b>(834,604)</b>	<b>127,820</b>	<b>(14,567,238)</b>
<b>Total capital assets being depreciated, net</b>	<b>9,460,236</b>	<b>5,006,953</b>		<b>14,467,189</b>
<b>Governmental Activities</b>				
<b>Capital Assets, Net</b>	<b>\$ 17,063,036</b>	<b>\$ 5,076,440</b>	<b>\$ (4,345,773)</b>	<b>\$ 17,793,703</b>

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

**Note 5 - Capital Assets (continued)**

A summary of activity for business-type activities capital assets for the year ended September 30, 2016, follows:

	<b>Balance 9/30/2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 9/30/2016</b>
<b>Business-type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 1,294,923	\$ 36,969	\$	\$ 1,331,892
Construction in progress	7,520,648	6,354,555	(44,520)	13,830,683
<b>Total capital assets, not being depreciated</b>	<b>8,815,571</b>	<b>6,391,524</b>	<b>(44,520)</b>	<b>15,162,575</b>
Capital assets being depreciated:				
Buildings	11,098,002			11,098,002
Improvements other than buildings	4,232,673			4,232,673
Infrastructure	44,065,709	488,830		44,554,539
Machinery and equipment	1,238,614	24,944		1,263,558
<b>Total capital assets being depreciated</b>	<b>60,634,998</b>	<b>513,774</b>		<b>61,148,772</b>
Less accumulated depreciation for:				
Buildings	(4,308,366)	(175,749)		(4,484,115)
Improvements other than buildings	(1,270,954)	(262,540)		(1,533,494)
Infrastructure	(22,811,019)	(907,735)		(23,718,754)
Machinery and equipment	(1,029,859)	(73,517)		(1,103,376)
<b>Total accumulated depreciation</b>	<b>(29,420,198)</b>	<b>(1,419,541)</b>		<b>(30,839,739)</b>
<b>Total capital assets being depreciated, net</b>	<b>31,214,800</b>	<b>(905,767)</b>		<b>30,309,033</b>
<b>Business-type Activities</b>				
<b>Capital Assets, Net</b>	<b>\$ 40,030,371</b>	<b>\$ 5,485,757</b>	<b>\$ (44,520)</b>	<b>\$ 45,471,608</b>

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

<b>Governmental Activities</b>	
General	\$ 48,735
Public safety	401,601
Public works	294,528
Parks and recreation	89,740
	<u>\$ 834,604</u>
<b>Business-type Activities</b>	
Water and sewer	\$ 1,386,983
Surface water	32,558
	<u>\$ 1,419,541</u>

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

**Note 5 - Capital Assets (continued)**

Construction in progress for the various projects and remaining commitments under these construction contracts at September 30, 2016, are as follows:

	<b>Authorized Commitment</b>	<b>Total in Progress</b>	<b>Remaining Commitment</b>
<b>Governmental Activities</b>			
Wessendorff Park Phase II	\$ 1,042,920	\$ 157,780	\$ 885,140
	<u>\$ 1,042,920</u>	<u>\$ 157,780</u>	<u>\$ 885,140</u>
<b>Business-type Activities</b>			
Surface water pump station and ground storage t	\$ 2,385,107	\$ 1,704,929	\$ 680,178
Edgar water well and water plant	6,119,674	4,603,617	1,516,057
Phase VII sanitary sewer rehab	276,501	191,553	84,948
Surface water treatment plant	25,000	6,957,744	6,932,744
SWTP chloramine conversion	750,000	100,085	649,915
SCADA	-	272,755	272,755
	<u>\$ 9,556,282</u>	<u>\$ 13,830,683</u>	<u>\$ 4,274,401</u>

**Note 6 - Long-Term Debt**

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

During the year ended September 30, 2016, the following changes occurred in long-term liabilities:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental Activities:</b>					
Bonds Payable:					
General obligation bonds	\$ 12,165,000	\$	\$ (830,000)	\$ 11,335,000	\$ 850,000
Certificates of obligation	2,145,000	3,375,000	(60,000)	5,460,000	270,000
Bond issuance premiums/discounts	379,347	260,270	(102,896)	536,721	-
Capital leases	235,344		(154,224)	81,120	81,120
Compensated absences	629,681	137,352	(71,470)	695,563	69,556
<b>Governmental Activities   Long-term Liabilities</b>	<u>\$ 15,554,372</u>	<u>\$ 3,772,622</u>	<u>\$ (1,218,590)</u>	<u>\$ 18,108,404</u>	<u>\$ 1,270,676</u>
<b>Business-Type Activities:</b>					
Bonds Payable:					
Certificates of obligation	\$ 9,705,000	\$ 6,025,000	\$ (195,000)	15,535,000	\$ 630,000
Bond issuance premiums/discounts	283,256	397,067	(30,340)	649,983	
Compensated absences	67,217	2,565	(8,134)	61,648	6,165
<b>Business-type Activities   Long-term Liabilities</b>	<u>\$ 10,055,473</u>	<u>\$ 6,424,632</u>	<u>\$ (233,474)</u>	<u>\$ 16,246,631</u>	<u>\$ 636,165</u>



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

**Note 6 - Long-Term Debt (continued)**

The City issued \$6,025,000 of Combination Tax and Revenue Certificates of Obligation Series 2016A dated February 1, 2016. Proceeds from the sale of the certificates will be used for improvements to the City water and wastewater system, including construction, improvement and equipment of a surface water treatment and distribution system and the cost of professional services incurred in connection therewith.

The City issued \$3,375,000 of Combination Tax and Revenue Certificates of Obligation Series 2016B dated February 1, 2016. Proceeds from the sale of the certificates will be used for the purchase of fire trucks and firefighting equipment, the planning, design and improvements to a fire station, street and drainage improvements, including acquisition of right-of-way and the cost of professional services incurred in connection therewith.

The following is a summary of the terms of obligations of general obligation bonds and certificates of obligation outstanding as of September 30, 2016:

<b>Governmental Activities:</b>			<b>Original Issue</b>	<b>Maturity Date</b>	<b>Debt Outstanding</b>
<u>Series</u>	<u>Interest Rate</u>				
<b>General Obligation Bonds</b>					
Series 2009 general obligation bonds	3.00-4.25%		\$ 4,000,000	2029	\$ 3,480,000
Series 2010 general obligation and refunding bonds	2.00-4.00%		5,040,000	2020	1,815,000
Series 2013 general obligation and refunding bonds	3.00-4.25%		6,620,000	2038	6,040,000
					<u>11,335,000</u>
<b>Certificates of Obligation</b>					
Series 2013 combination tax and revenue certificates of obligation	2.00-4.13%		2,265,000	2038	2,085,000
Series 2016B combination tax and revenue certificates of obligation	3.00%		3,375,000	2035	3,375,000
					<u>5,460,000</u>
<b>Total Governmental Activities</b>					<u>\$ 13,420,000</u>
<b>Business-Type Activities:</b>					<b>Debt Outstanding</b>
<u>Series</u>	<u>Interest Rate</u>		<u>Original Issue</u>		
<b>Certificates of Obligation:</b>					
Series 2015 combination tax and revenue certificates of obligation	3.00-4.00%		9,705,000	2045	\$ 9,510,000
Series 2016A combination tax and revenue certificates of obligation	3.00%		6,025,000	2034	6,025,000
<b>Total Business-Type Activities</b>					<u>\$ 15,535,000</u>

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

<b>Year Ending September 30,</b>	<b>Governmental Activities</b>		
	<b>General Obligation Bonds</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 850,000	\$ 419,375	\$ 1,269,375
2018	870,000	391,537	1,261,537
2019	895,000	360,525	1,255,525
2020	930,000	327,513	1,257,513
2021	640,000	299,808	939,808
2022-2026	2,930,000	1,148,717	4,078,717
2027-2031	1,990,000	649,523	2,639,523
2032-2036	1,525,000	310,680	1,835,680
2037-2041	705,000	29,391	734,391
2042-2046	-	-	-
	<u>\$ 11,335,000</u>	<u>\$ 3,937,069</u>	<u>\$ 15,272,069</u>

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

**Note 6 - Long-Term Debt (continued)**

Year Ending September 30,	Governmental Activities			Business-Type Activities		
	Certificates of Obligation			Certificates of Obligation		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 270,000	\$ 176,625	\$ 446,625	\$ 630,000	\$ 508,462	\$ 1,138,462
2018	270,000	169,175	439,175	855,000	486,187	1,341,187
2019	270,000	161,725	431,725	890,000	460,012	1,350,012
2020	280,000	153,975	433,975	915,000	432,937	1,347,937
2021	280,000	145,925	425,925	940,000	405,112	1,345,112
2022-2026	1,475,000	593,298	2,068,298	3,120,000	1,667,360	4,787,360
2027-2031	1,180,000	370,369	1,550,369	2,075,000	1,332,729	3,407,729
2032-2036	1,160,000	155,395	1,315,395	2,070,000	984,213	3,054,213
2037-2041	275,000	11,447	286,447	2,065,000	608,100	2,673,100
2042-2046	-	-	-	1,975,000	161,700	2,136,700
	<u>\$ 5,460,000</u>	<u>\$ 1,937,934</u>	<u>\$ 7,397,934</u>	<u>\$ 15,535,000</u>	<u>\$ 7,046,812</u>	<u>\$ 22,581,812</u>

**Capital Leases**

During the year ended September 30, 2014 the City entered into a lease purchase agreement for the acquisition of a dump truck costing \$79,149. The lease is for a period of four years with annual payments of \$21,370 and a stated interest rate of 3.38%. Interest paid on this lease was \$2,028 for the year ended September 30, 2016.

During the year ended September 30, 2011 the City entered into a lease purchase agreement for the acquisition of a fire truck costing \$404,751. The lease is for a period of six years with annual payments of \$79,629 and a stated interest rate of 4.69%. Interest paid on this lease was \$7,371 for the year ended September 30, 2016.

During the year ended September 30, 2008 the City entered into a lease purchase agreement to finance the acquisition of a fire station costing \$500,000. The lease is for a period of ten years with annual payments of \$62,912 and a stated interest rate of 4.59%. Interest paid on this lease was \$5,681 for the year ended September 30, 2016.

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments, as of September 30, 2016:

Year Ending September 30,	Activities Amount
2017	\$ 83,421
Total minimum lease payments	83,421
Less interest portion minimum lease payments	(2,301)
	<u>\$ 81,120</u>

The assets acquired through capital lease are as follows:

Assets:	
Buildings	\$ 500,000
Vehicles	524,311
Less: Accumulated Depreciation	(662,001)
Net	<u>\$ 362,310</u>

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

**Note 6 - Long-Term Debt (continued)**

**Legal Compliance**

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

**Note 7 - Interfund Transactions**

For the year ended September 30, 2016, interfund transfers consisted of:

<b>Transfer Out</b>	<b>Transfer In</b>				<b>Totals</b>
	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Surface Water Fund</b>	
General Fund	\$	\$ 20,384	\$	\$	\$ 20,384
Water and Sewer Fund	2,263,300		139,700	4,737,327	7,140,327
Totals	\$ 2,263,300	\$ 20,384	\$ 139,700	\$ 4,737,327	\$ 7,160,711

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

**Note 8 - Employee Retirement System**

***Texas Municipal Retirement System***

**Plan Description and Provisions**

The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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

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:	75% Repeating
Annuity Increase to retirees:	50% of CPI Repeating
Supplemental death benefit – employees and retirees:	Yes

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

**Note 8 - Employee Retirement System (continued)**

**Benefits Provided**

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

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

On the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are 200% of the employee's accumulated contributions.

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	58
Inactive employees entitled to but not yet receiving benefits	77
Active employees	<u>153</u>
Total	<u>288</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 2016, the City made contributions of 14.00% for the months in 2015 and 13.21% for the months in 2016.

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

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

**Note 8 - Employee Retirement System (continued)**

**Actuarial Assumptions**

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment rate of return	7.0%, net of pension plan investment expense, including inflation

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

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. This experience study was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2015 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

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

**Note 8 - Employee Retirement System (continued)**

**Actuarial Assumptions (continued)**

**Discount Rate**

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

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

**Sensitivity of the net pension liability to changes in the discount rate**

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%)
\$10,662,210	\$ 4,833,897	\$ 129,908

**Changes in the Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2014	\$ 34,368,321	\$ 31,524,970	\$ 2,843,351
Changes for the year:			
Service Cost	1,239,239		1,239,239
Interest	2,399,359		2,399,359
Difference between expected and actual experience	86,553		86,553
Changes in assumptions	(116,121)		(116,121)
Contributions - employer		1,067,545	(1,067,545)
Contributions - employee		534,155	(534,155)
Net Investment income		46,517	(46,517)
Benefit payments, including refunds, of employee contributions	(1,422,763)	(1,422,763)	
Administrative expense		(28,334)	28,334
Other changes		(1,399)	1,399
Net changes	<u>2,186,267</u>	<u>195,721</u>	<u>1,990,546</u>
Balance at 12/31/2014	<u>\$ 36,554,588</u>	<u>\$ 31,720,691</u>	<u>\$ 4,833,897</u>

Plan fiduciary net position as a percentage of total pension liability 86.8%

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

**Note 8 - Employee Retirement System (continued)**

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

For the year ended September 30, 2016, the City recognized pension expense of \$1,328,065.

At September 30, 2016, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actuarial assumptions and actual experience	\$ 69,481	\$ 331,246
Changes in actuarial assumptions used		93,217
Differences between projects and actual investment earnings	1,956,046	
Contributions subsequent to the measurement date	<u>737,111</u>	
Total	<u>\$ 2,762,638</u>	<u>\$ 424,463</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$737,111 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2016 (i.e. recognized in the City's financial statements September 30, 2017). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2017	\$ (400,637)
2018	(400,637)
2019	(400,637)
2020	(399,561)
2021	<u>408</u>
Total	<u>\$ (1,601,064)</u>

**CITY OF RICHMOND, TEXAS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 9 – Supplemental Death Benefits Fund**

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

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

	<u>Plan Year 2015</u>	<u>Plan Year 2016</u>
The City offers supplemental death to:		
Active employees	Yes	Yes
Retirees	Yes	Yes

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

The City’s contributions to the TMRS SDBF for the years ended 2016, 2015 and 2014 were \$11,571, \$11,345 and \$10,481 respectively, which equaled the required contributions each year.

**Schedule of Contribution Rates**

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

<u>Fiscal Year</u>	<u>Annual Required Contribution (Rate)</u>	<u>Actual Contribution Made (Rate)</u>	<u>Percentage of ARC Contributed</u>
2014	0.15%	0.15%	100%
2015	0.15%	0.15%	100%
2016	0.15%	0.15%	100%

**Note 10 - Commitments and Contingencies**

**Litigation and Other Contingencies**

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



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

**Note 10 - Commitments and Contingencies (continued)**

**Arbitrage Rebate**

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

**Note 11 - Risk Management**

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

**Note 12 - Strategic Partnership Agreements**

On October 22, 2007, the City entered into Strategic Partnership Agreements (SPA) with Pecan Grove Municipal Utility District ("Pecan Grove MUD") and Fort Bend County Municipal Utility District No. 116 ("FBCMUD 116") whereby the City will annex certain commercial areas within Pecan Grove MUD and FBCMUD 116 (the Limited Purpose Tracts). The City shall impose a Sales and Use Tax on the sale and use at retail of taxable items within the Limited Purpose Tracts. Pecan Grove MUD and FBCMUD 116 are entitled to one-half of all Sales and Use Tax revenues, which will be paid to the Districts by the City within 30 days of receipt by the City. During the current fiscal year, the City paid \$166,770 to Pecan Grove MUD and \$186,578 to FBCMUD 116 in tax rebates in accordance with the SPA.

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

**Note 13 - Richmond-Rosenberg Local Government Corporation**

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

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

**Note 14 - Prior Period Adjustment**

For the year ended September 30, 2016 financial statement presentation, the City has elected to separate surface water activity from the general water and sewer activity. This action caused a difference in the beginning Net position of the Water and Sewer and Surface Water Enterprise Funds as follows:

	<u>Water and Sewer</u>	<u>Surface Water</u>	<u>Total</u>
<b>Net Position as originally presented</b>	\$ 48,268,499	\$ -	\$ 48,268,499
Prior Period Restatement			
Separation of Surface Water Fund			
beginning net position	<u>(5,270,935)</u>	<u>5,270,935</u>	<u>-</u>
<b>Net Position as restated</b>	<u><u>42,997,564</u></u>	<u><u>5,270,935</u></u>	<u><u>\$ 48,268,499</u></u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF RICHMOND, TEXAS**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**

**BUDGET AND ACTUAL (GAAP BASIS)**

*For the Year Ended September 30, 2016*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>				
Taxes:				
Property taxes	\$ 2,463,072	\$ 2,463,072	\$ 2,530,641	\$ 67,569
Sales and use taxes	4,240,721	4,240,721	4,231,660	(9,061)
Franchise taxes	742,500	742,500	761,412	18,912
Fines and forfeitures	575,000	575,000	479,451	(95,549)
Licenses and permits	385,000	385,000	447,277	62,277
Intergovernmental	775,331	775,331	446,699	(328,632)
Charges for services	3,360,000	3,360,000	3,499,899	139,899
Investment earnings	11,500	11,500	3,960	(7,540)
Miscellaneous	48,500	48,500	62,024	13,524
<b>Total Revenues</b>	<u>12,601,624</u>	<u>12,601,624</u>	<u>12,463,023</u>	<u>(138,601)</u>
<b>Expenditures</b>				
General government:				
General government	1,219,309	1,219,309	1,109,326	109,983
Vehicle maintenance	169,867	205,720	206,051	(331)
Information technology	263,129	263,129	155,138	107,991
Janitorial department	106,422	106,422	99,645	6,777
Municipal courts	545,270	545,270	509,255	36,015
Total general government	<u>2,303,997</u>	<u>2,339,850</u>	<u>2,079,415</u>	<u>260,435</u>
Public safety:				
Police department	3,953,210	3,845,079	3,472,759	372,320
Fire department - central	3,493,921	3,590,936	3,590,935	1
Emergency management	106,089	106,089	94,970	11,119
Fire marshal	535,058	522,432	482,027	40,405
Fire department - station #2	37,600	50,226	50,226	-
Fire department - station #3	37,250	37,250	28,232	9,018
Total public safety	<u>8,163,128</u>	<u>8,152,012</u>	<u>7,719,149</u>	<u>432,863</u>
Public works:				
Public works	309,723	318,725	318,725	-
Street department	1,419,020	1,319,020	1,197,502	121,518
Sanitation department	1,409,665	1,475,926	1,475,925	1
Total public works	<u>3,138,408</u>	<u>3,113,671</u>	<u>2,992,152</u>	<u>121,519</u>

**CITY OF RICHMOND, TEXAS**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**

**BUDGET AND ACTUAL (GAAP BASIS) (continued)**

*For the Year Ended September 30, 2016*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures (continued)</b>				
Parks and recreation:				
Parks department	\$ 477,722	\$ 477,722	\$ 390,041	\$ 87,681
Total parks and recreation	<u>477,722</u>	<u>477,722</u>	<u>390,041</u>	<u>87,681</u>
Community development:				
Building Permits	176,265	176,265	134,850	41,415
Community development	253,420	253,420	211,971	41,449
Total community development	<u>429,685</u>	<u>429,685</u>	<u>346,821</u>	<u>82,864</u>
<b>Total Expenditures</b>	<u>14,512,940</u>	<u>14,512,940</u>	<u>13,527,578</u>	<u>985,362</u>
Revenues over (under) expenditures	(1,911,316)	(1,911,316)	(1,064,555)	846,761
<b>Other Financing Sources (Uses)</b>				
Transfers in	<u>2,263,300</u>	<u>2,263,300</u>	<u>2,242,916</u>	<u>(20,384)</u>
<b>Total other financing sources (uses)</b>	<u>2,263,300</u>	<u>2,263,300</u>	<u>2,242,916</u>	<u>(20,384)</u>
Changes in fund balance	351,984	351,984	1,178,361	826,377
<b>Fund Balances - Beginning of Year</b>	<u>3,540,831</u>	<u>3,540,831</u>	<u>3,540,831</u>	
<b>Fund Balances - End of Year</b>	<u>\$ 3,892,815</u>	<u>\$ 3,892,815</u>	<u>\$ 4,719,192</u>	<u>\$ 826,377</u>

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**CITY OF RICHMOND, TEXAS**

**NOTES TO REQUIRED SUPPLEMENTARY BUDGET INFORMATION**

*Year ended September 30, 2016*

**General Budget Policies**

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

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

**Budgetary Compliance**

The City had appropriations exceeding expenditures in the General Fund function due to the timing of State court costs payable.

**CITY OF RICHMOND, TEXAS**  
**REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION**

**TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
 Last Two Measurement Years Ending December 31

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

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

**CITY OF RICHMOND, TEXAS**  
**REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION**

**TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)**  
**Schedule of Contributions**  
**Last Ten Fiscal Years**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially determined contribution	\$ 1,018,458	\$ 1,012,728	\$ 1,004,526	\$ 938,140	\$ 948,347
Contribution in relation of the actuarially determined contribution	<u>1,018,458</u>	<u>1,012,728</u>	<u>1,004,526</u>	<u>938,140</u>	<u>948,347</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll (fiscal year)	\$ 7,713,975	\$ 7,015,606	\$ 6,657,271	\$ 6,228,649	\$ 6,264,236
Contributions as a percentage of covered employee payroll	13.20%	14.44%	15.09%	15.06%	15.14%
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Actuarially determined contribution	\$ 1,044,544	\$ 978,572	\$ 822,636	\$ 661,961	\$ 641,602
Contribution in relation of the actuarially determined contribution	<u>1,044,544</u>	<u>978,572</u>	<u>822,636</u>	<u>661,961</u>	<u>641,602</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll (fiscal year)	\$ 6,211,040	\$ 6,269,945	\$ 5,885,710	\$ 5,279,732	\$ 4,828,006
Contributions as a percentage of covered employee payroll	16.82%	15.61%	13.98%	12.54%	13.29%

**Notes to Required Supplementary Information:**

Valuation Date: Actuarial determined contribution rates are calculated as of December 31<sup>st</sup> each year and become effective in January, 12 months and a day 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:	15 years
Asset Valuation Method:	10 Year smoothed market; 15% soft corridor
Inflation:	3.0%
Salary Increases:	3.50% to 12.00% 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 2010 valuation pursuant to an experience study of the period 2005 – 2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Other Information:	There were no benefit changes during the year.



**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

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## **Non-Major Governmental Funds**

### **Debt Service Fund**

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

### **Special Revenue Funds**

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

#### **Festivals Fund**

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

#### **Parks Improvement Fund**

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

#### **City Narcotics Seizure Fund**

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

#### **State Narcotics Fund**

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

#### **Federal Narcotics Fund**

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

#### **Community Development Block Grant**

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

#### **TCLEOSE Fund**

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

#### **Municipal Court Technology Fund**

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

#### **Municipal Court Security Fund**

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

**CITY OF RICHMOND, TEXAS**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**September 30, 2016**

	<u>Debt Service</u>	<u>Festivals Fund</u>	<u>Parks Improvement Fund</u>	<u>Narcotics Seizure City</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 690,489	\$ 708	\$ 24,192	\$ 7,280
Taxes receivable, net	122,867			
Receivable from other governments	62,031			
Prepaid expenses				
<b>Total Assets</b>	<u>\$ 875,387</u>	<u>\$ 708</u>	<u>\$ 24,192</u>	<u>\$ 7,280</u>
<b>Liabilities</b>				
Accounts payable			500	
Payable to other governments				
<b>Total Liabilities</b>			<u>500</u>	
<b>Deferred Inflows of Resources</b>				
Unavailable revenues	122,868			
<b>Total Deferred Inflows of Resources</b>	<u>122,868</u>			
<b>Fund balances</b>				
Restricted:				
Debt service	752,519			
Public safety				7,280
Community projects		708	23,692	
<b>Total Fund Balances</b>	<u>752,519</u>	<u>708</u>	<u>23,692</u>	<u>7,280</u>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<u>\$ 875,387</u>	<u>\$ 708</u>	<u>\$ 24,192</u>	<u>\$ 7,280</u>

<b>State Narcotics Fund</b>	<b>Federal Narcotics Fund</b>	<b>Community Development Block Grant Fund</b>	<b>TCLEOSE Fund</b>	<b>Municipal Court Technology Fund</b>	<b>Municipal Court Security Fund</b>	<b>Total Non- Major Governmental Funds</b>
\$ 97,802	\$ 9,169	\$ (16,094)	\$ 4,298	\$ 25,985	\$ 51,812	\$ 895,641
		183,197				122,867
			500			245,228
						500
<u>\$ 97,802</u>	<u>\$ 9,169</u>	<u>\$ 167,103</u>	<u>\$ 4,798</u>	<u>\$ 25,985</u>	<u>\$ 51,812</u>	<u>\$ 1,264,236</u>
	4,385	167,103	50			172,038
4,723						4,723
<u>4,723</u>	<u>4,385</u>	<u>167,103</u>	<u>50</u>			<u>176,761</u>
						122,868
						<u>122,868</u>
						752,519
93,079	4,784		4,748	25,985	51,812	187,688
						24,400
<u>93,079</u>	<u>4,784</u>		<u>4,748</u>	<u>25,985</u>	<u>51,812</u>	<u>964,607</u>
<u>\$ 97,802</u>	<u>\$ 9,169</u>	<u>\$ 167,103</u>	<u>\$ 4,798</u>	<u>\$ 25,985</u>	<u>\$ 51,812</u>	<u>\$ 1,264,236</u>

**CITY OF RICHMOND, TEXAS**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2016**

	<u>Debt Service</u>	<u>Festivals Fund</u>	<u>Parks Improvement Fund</u>	<u>Narcotics Seizure City</u>
<b>Revenues</b>				
Property taxes	\$ 1,084,566	\$	\$	\$
Fines and forfeitures				
Intergovernmental	316,026			
Investment earnings	1,737	1	27	21
Miscellaneous				(389)
<b>Total Revenues</b>	<u>1,402,329</u>	<u>1</u>	<u>27</u>	<u>(368)</u>
<b>Expenditures</b>				
Current:				
Public safety				
Public works			15,152	
Capital Outlay				
Debt Service				
Principal	890,000			
Interest and other charges	571,397			
<b>Total Expenditures</b>	<u>1,461,397</u>		<u>15,152</u>	
<b>Revenues over (under) expenditures</b>	<u>(59,068)</u>	<u>1</u>	<u>(15,125)</u>	<u>(368)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	139,700			
<b>Total other financing sources (uses)</b>	<u>139,700</u>			
Changes in Fund Balance	80,632	1	(15,125)	(368)
<b>Fund Balances - Beginning of Year</b>	<u>671,887</u>	<u>707</u>	<u>38,817</u>	<u>7,648</u>
<b>Fund Balances - End of Year</b>	<u>\$ 752,519</u>	<u>\$ 708</u>	<u>\$ 23,692</u>	<u>\$ 7,280</u>

<b>State Narcotics Fund</b>	<b>Federal Narcotics Fund</b>	<b>Community Development Block Grant Fund</b>	<b>TCLEOSE Fund</b>	<b>Municipal Court Technology Fund</b>	<b>Municipal Court Security Fund</b>	<b>Total Non- Major Governmental Funds</b>
\$	\$	\$	\$	\$	\$	\$
				6,859	5,144	1,084,566
		355,143	3,657			12,003
48	2			4	8	674,826
13,213						1,848
<u>13,261</u>	<u>2</u>	<u>355,143</u>	<u>3,657</u>	<u>6,863</u>	<u>5,152</u>	<u>1,786,067</u>
1,067			3,683			4,750
						15,152
		418,168				418,168
						890,000
						571,397
<u>1,067</u>		<u>418,168</u>	<u>3,683</u>			<u>1,899,467</u>
12,194	2	(63,025)	(26)	6,863	5,152	(113,400)
						139,700
						139,700
12,194	2	(63,025)	(26)	6,863	5,152	26,300
80,885	4,782	63,025	4,774	19,122	46,660	938,307
<u>\$ 93,079</u>	<u>\$ 4,784</u>	<u>\$</u>	<u>\$ 4,748</u>	<u>\$ 25,985</u>	<u>\$ 51,812</u>	<u>\$ 964,607</u>

**CITY OF RICHMOND, TEXAS**

**DEBT SERVICE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**

**BUDGET AND ACTUAL (BUDGETARY BASIS)**

*For the Year Ended September 30, 2016*

	2016		Variance Positive (Negative)	2015
	Final Budget	Actual		Actual
<b>Revenues</b>				
Taxes:				
Property taxes	\$ 1,024,507	\$ 1,084,566	\$ 60,059	\$ 961,109
Intergovernmental	252,338	316,026	63,688	252,935
Investment earnings		1,737	1,737	18,931
<b>Total Revenues</b>	<u>1,276,845</u>	<u>1,402,329</u>	<u>125,484</u>	<u>1,232,975</u>
<b>Expenditures</b>				
Debt Service:				
Principal	1,410,000	890,000	520,000	790,000
Interest and other charges	884,996	571,397	313,599	549,850
<b>Total Expenditures</b>	<u>2,294,996</u>	<u>1,461,397</u>	<u>833,599</u>	<u>1,339,850</u>
Revenues over (under) expenditures	(1,018,151)	(59,068)	(708,115)	(106,875)
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,018,827	139,700	(879,127)	140,900
<b>Total other financing sources (uses)</b>	<u>1,018,827</u>	<u>139,700</u>	<u>879,127</u>	<u>140,900</u>
Net changes in fund balances	676	80,632	171,012	34,025
<b>Fund Balances - Beginning of Year</b>	<u>671,887</u>	<u>671,887</u>		<u>637,862</u>
<b>Fund Balances - End of Year</b>	<u>\$ 672,563</u>	<u>\$ 752,519</u>	<u>\$ 79,956</u>	<u>\$ 671,887</u>



## UNAUDITED STATISTICAL SECTION

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

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b>	68
These schedules contain trend information to help the reader understand how the City's financial performance and "well-being" have changed over time.	
<b>Revenue Capacity</b>	78
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	
<b>Debt Capacity</b>	82
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b>	89
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
<b>Operating Information</b>	92
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

**CITY OF RICHMOND, TEXAS**

**NET POSITION BY COMPONENT**

*Last Ten Fiscal Years*

*(Accrual Basis of Accounting)*

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Governmental Activities</b>				
Net investment in capital assets	\$ 2,994,065	\$ 4,642,399	\$ 5,535,614	\$ 5,602,683
Restricted	2,855,032	1,762,875	1,496,984	1,200,637
Unrestricted	<u>1,307,372</u>	<u>803,171</u>	<u>916,309</u>	<u>3,680,396</u>
<b>Total Governmental Activities Net Position</b>	<u>\$ 7,156,469</u>	<u>\$ 7,208,445</u>	<u>\$ 7,948,907</u>	<u>\$ 10,483,716</u>
 <b>Business-type Activities</b>				
Net investment in capital assets	\$ 21,199,558	\$ 22,652,960	\$ 22,496,624	\$ 21,006,899
Restricted				
Unrestricted	<u>3,359,734</u>	<u>3,697,280</u>	<u>5,639,822</u>	<u>6,561,532</u>
<b>Total Business-type Activities Net Position</b>	<u>\$ 24,559,292</u>	<u>\$ 26,350,240</u>	<u>\$ 28,136,446</u>	<u>\$ 27,568,431</u>
 <b>Primary Government</b>				
Net investment in capital assets	\$ 24,193,623	\$ 27,295,359	\$ 28,032,238	\$ 26,609,582
Restricted	2,855,032	1,762,875	1,496,984	1,200,637
Unrestricted	<u>4,667,106</u>	<u>4,500,451</u>	<u>6,556,131</u>	<u>10,241,928</u>
<b>Total Primary Government Net Position</b>	<u>\$ 31,715,761</u>	<u>\$ 33,558,685</u>	<u>\$ 36,085,353</u>	<u>\$ 38,052,147</u>

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 5,109,818	\$ 4,113,159	\$ 2,608,034	\$ 5,179,999	\$ 5,129,543	\$ 5,321,684
1,351,687	1,055,694	698,128	879,086	1,015,374	1,038,474
<u>1,184,543</u>	<u>557,684</u>	<u>744,905</u>	<u>2,275,191</u>	<u>1,487,179</u>	<u>2,308,231</u>
<u>\$ 7,646,048</u>	<u>\$ 5,726,537</u>	<u>\$ 4,051,067</u>	<u>\$ 8,334,276</u>	<u>\$ 7,632,096</u>	<u>\$ 8,668,389</u>
\$ 25,306,185	\$ 29,258,855	\$ 31,173,123	\$ 33,420,225	\$ 39,834,230	\$ 39,690,192
		649,544	2,379,720	4,268,765	3,898,062
<u>8,401,699</u>	<u>7,784,183</u>	<u>11,374,559</u>	<u>7,775,252</u>	<u>4,165,504</u>	<u>6,890,509</u>
<u>\$ 33,707,884</u>	<u>\$ 37,043,038</u>	<u>\$ 43,197,226</u>	<u>\$ 43,575,197</u>	<u>\$ 48,268,499</u>	<u>\$ 50,478,763</u>
\$ 30,416,003	\$ 33,372,014	\$ 33,781,157	\$ 38,600,224	\$ 44,963,773	\$ 45,011,876
1,351,687	1,055,694	705,795	885,939	5,284,139	4,936,536
<u>9,586,242</u>	<u>8,341,867</u>	<u>12,761,341</u>	<u>12,423,310</u>	<u>5,652,683</u>	<u>9,198,740</u>
<u>\$ 41,353,932</u>	<u>\$ 42,769,575</u>	<u>\$ 47,248,293</u>	<u>\$ 51,909,473</u>	<u>\$ 55,900,595</u>	<u>\$ 59,147,152</u>

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Expenses</b>				
Governmental activities:				
General government	\$ 1,000,624	\$ 1,407,963	\$ 1,288,832	\$ 1,932,001
Public safety	5,182,983	5,385,184	6,286,007	6,279,497
Public works	2,323,954	2,400,975	2,592,763	2,535,798
Parks and recreation	672,936	478,634	472,608	471,017
Community development				
Interest on long-term debt	341,734	337,848	295,805	479,682
Total governmental activities expenses	<u>9,522,231</u>	<u>10,010,604</u>	<u>10,936,015</u>	<u>11,697,995</u>
Business-type activities:				
Water and sewer	3,292,781	3,841,501	3,956,907	4,087,381
Surface water				
Total business-type activities expenses	<u>3,292,781</u>	<u>3,841,501</u>	<u>3,956,907</u>	<u>4,087,381</u>
<b>Total Primary Government Expenses</b>	<u><u>\$ 12,815,012</u></u>	<u><u>\$ 13,852,105</u></u>	<u><u>\$ 14,892,922</u></u>	<u><u>\$ 15,785,376</u></u>
<b>Program Revenue</b>				
Governmental activities:				
Charges for services:				
Public safety	1,396,379	1,477,147	1,552,105	1,474,934
Public works	941,972	955,124	1,369,206	1,217,402
Operating grants and contributions	446,615	188,911	629,342	1,278,042
Capital grants and contributions	1,370,063		450,000	
Total governmental activities program revenues	<u>4,155,029</u>	<u>2,621,182</u>	<u>4,000,653</u>	<u>3,970,378</u>
Business-type activities:				
Charges for services:				
Water and sewer	6,128,638	6,050,784	6,524,853	6,681,028
Surface water				
Operating grants and contributions				
Capital grants and contributions				
Total business-type activities program revenues	<u>6,128,638</u>	<u>6,050,784</u>	<u>6,524,853</u>	<u>6,681,028</u>
<b>Total Primary Government Program Revenues</b>	<u><u>\$ 10,283,667</u></u>	<u><u>\$ 8,671,966</u></u>	<u><u>\$ 10,525,506</u></u>	<u><u>\$ 10,651,406</u></u>
<b>Net (Expense)/Revenue</b>				
Governmental activities	\$ (5,367,202)	\$ (7,389,422)	\$ (6,935,362)	\$ (7,727,617)
Business-type activities	2,835,857	2,209,283	2,567,946	2,593,647
<b>Total Primary Government Net Expense</b>	<u><u>\$ (2,531,345)</u></u>	<u><u>\$ (5,180,139)</u></u>	<u><u>\$ (4,367,416)</u></u>	<u><u>\$ (5,133,970)</u></u>

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 1,356,375	\$ 1,657,252	\$ 1,753,484	\$ 1,850,449	\$ 2,028,934	\$ 2,148,288
6,684,886	6,866,056	6,959,939	6,807,890	7,356,199	8,063,344
2,635,218	2,678,325	4,468,498	4,888,517	5,493,672	4,050,246
454,594	483,624	485,120	464,973	469,734	692,201
				56,951	137,820
371,471	430,711	569,840	351,599	502,028	606,835
<u>11,502,544</u>	<u>12,115,968</u>	<u>14,236,881</u>	<u>14,363,428</u>	<u>15,907,518</u>	<u>15,698,734</u>
4,623,424	4,829,487	5,473,678	7,356,048	5,724,872	5,619,871
				475,315	1,515,334
<u>4,623,424</u>	<u>4,829,487</u>	<u>5,473,678</u>	<u>7,356,048</u>	<u>6,200,187</u>	<u>7,135,205</u>
<u>\$ 16,125,968</u>	<u>\$ 16,945,455</u>	<u>\$ 19,710,559</u>	<u>\$ 21,719,476</u>	<u>\$ 22,107,705</u>	<u>\$ 22,833,939</u>
1,568,045	1,339,251	1,443,301	1,837,584	2,356,960	2,437,425
1,303,806	1,567,992	1,867,707	1,996,562	1,984,941	1,992,205
1,615,748	1,308,839	627,165	4,452,136	2,015,232	1,161,045
	19,490	15	124,819		
<u>4,487,599</u>	<u>4,235,572</u>	<u>3,938,188</u>	<u>8,411,101</u>	<u>6,357,133</u>	<u>5,590,675</u>
8,366,094	7,530,461	10,665,213	8,576,256	8,446,349	8,621,016
				2,226,140	2,264,919
		111,804	26,547		
		<u>2,704,271</u>	<u>1,528,577</u>	<u>3,174,445</u>	<u>845,591</u>
<u>8,366,094</u>	<u>7,530,461</u>	<u>13,481,288</u>	<u>10,131,380</u>	<u>13,846,934</u>	<u>11,731,526</u>
<u>\$ 12,853,693</u>	<u>\$ 11,766,033</u>	<u>\$ 17,419,476</u>	<u>\$ 18,542,481</u>	<u>\$ 20,204,067</u>	<u>\$ 17,322,201</u>
\$ (7,014,945)	\$ (7,880,396)	\$ (10,298,693)	\$ (5,952,327)	\$ (9,550,385)	\$ (10,108,059)
3,742,670	2,700,974	8,007,610	2,775,332	7,646,747	4,596,321
<u>\$ (3,272,275)</u>	<u>\$ (5,179,422)</u>	<u>\$ (2,291,083)</u>	<u>\$ (3,176,995)</u>	<u>\$ (1,903,638)</u>	<u>\$ (5,511,738)</u>

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
Taxes:				
Property taxes	\$ 2,645,995	\$ 2,854,330	\$ 3,133,847	\$ 3,157,793
Sales and use taxes	2,584,512	2,641,250	2,952,295	2,857,057
Franchise taxes	622,081	770,604	780,241	783,267
Investment earnings	172,436	69,038	6,673	28,310
Miscellaneous	345,070	495,156		143,458
Transfers	(591,028)	611,020	802,768	2,951,859
<b>Total governmental activities</b>	<u>5,779,066</u>	<u>7,441,398</u>	<u>7,675,824</u>	<u>9,921,744</u>
Business-type activities:				
Investment earnings	308,352	192,685	21,028	3,073
Transfers	591,028	(611,020)	(802,768)	(2,951,859)
Total business-type activities	<u>899,380</u>	<u>(418,335)</u>	<u>(781,740)</u>	<u>(2,948,786)</u>
<b>Total primary government</b>	<u>\$ 6,678,446</u>	<u>\$ 7,023,063</u>	<u>\$ 6,894,084</u>	<u>\$ 6,972,958</u>
<b>Change in Net Position</b>				
Governmental activities	\$ 411,864	\$ 51,976	\$ 740,462	\$ 2,194,127
Business-type activities	3,735,237	1,790,948	1,786,206	(355,139)
<b>Total primary government</b>	<u>\$ 4,147,101</u>	<u>\$ 1,842,924</u>	<u>\$ 2,526,668</u>	<u>\$ 1,838,988</u>

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 2,971,542	\$ 3,007,602	\$ 2,993,345	\$ 3,369,617	\$ 3,274,348	\$ 3,615,207
2,668,475	2,813,786	3,124,420	3,411,152	3,856,250	4,219,534
799,263	705,143	749,861	714,824	742,401	773,538
35,609	25,986	16,541	35,628	37,601	8,239
103,725	37,335	60,176	300,215	403,067	124,834
<u>(2,392,119)</u>	<u>(628,967)</u>	<u>1,857,765</u>	<u>2,404,100</u>	<u>2,493,900</u>	<u>2,403,000</u>
<u>4,186,495</u>	<u>5,960,885</u>	<u>8,802,108</u>	<u>10,235,536</u>	<u>10,807,567</u>	<u>11,144,352</u>
4,664	5,213	4,343	6,739	5,816	16,943
<u>2,392,119</u>	<u>628,967</u>	<u>(1,857,765)</u>	<u>(2,404,100)</u>	<u>(2,493,900)</u>	<u>(2,403,000)</u>
<u>2,396,783</u>	<u>634,180</u>	<u>(1,853,422)</u>	<u>(2,397,361)</u>	<u>(2,488,084)</u>	<u>(2,386,057)</u>
<u>\$ 6,583,278</u>	<u>\$ 6,595,065</u>	<u>\$ 6,948,686</u>	<u>\$ 7,838,175</u>	<u>\$ 8,319,483</u>	<u>\$ 8,758,295</u>
\$ (2,828,450)	\$ (1,919,511)	\$ (1,496,585)	\$ 4,283,209	\$ 1,257,182	\$ 1,036,293
<u>6,139,453</u>	<u>3,335,154</u>	<u>6,154,188</u>	<u>377,971</u>	<u>5,158,663</u>	<u>2,210,264</u>
<u>\$ 3,311,003</u>	<u>\$ 1,415,643</u>	<u>\$ 4,657,603</u>	<u>\$ 4,661,180</u>	<u>\$ 6,415,845</u>	<u>\$ 3,246,557</u>

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General fund				
Nonspendable	\$	\$	\$	\$
Unassigned	1,367,277	854,506	187,398	143,366
<b>Total General Fund</b>	<u>\$ 1,367,277</u>	<u>\$ 854,506</u>	<u>\$ 187,398</u>	<u>\$ 143,366</u>
All other governmental funds				
Restricted:	\$ 2,227,525	\$ 1,190,545	\$	\$
Debt service			1,024,540	1,090,314
Capital projects			266,114	6,724,042
Other			137,927	146,813
Unassigned	653,843	596,736		
<b>Total all other governmental funds</b>	<u>\$ 2,881,368</u>	<u>\$ 1,787,281</u>	<u>\$ 1,428,581</u>	<u>\$ 7,961,169</u>

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



<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
\$	\$	\$	\$ 2,864	\$ 3,886	\$ 13,478
<u>1,126,005</u>	<u>1,131,452</u>	<u>1,695,266</u>	<u>2,500,539</u>	<u>3,536,945</u>	<u>4,705,714</u>
<u>\$ 1,126,005</u>	<u>\$ 1,131,452</u>	<u>\$ 1,695,266</u>	<u>\$ 2,503,403</u>	<u>\$ 3,540,831</u>	<u>\$ 4,719,192</u>
\$	\$	\$	\$	\$	\$
1,053,463	875,125	625,051	637,862	671,887	752,519
3,139,662	1,196,461	7,205,198	7,187,551	3,036,998	4,915,125
320,319	214,909	119,758	175,882	266,420	212,088
<u>\$ 4,513,444</u>	<u>\$ 2,286,495</u>	<u>\$ 7,950,007</u>	<u>\$ 8,001,295</u>	<u>\$ 3,975,305</u>	<u>\$ 5,879,732</u>

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Revenues</b>				
Taxes:				
Property taxes	\$ 2,668,856	\$ 2,836,114	\$ 3,117,441	\$ 3,136,447
Sales and use taxes	2,584,512	2,641,250	2,952,295	2,857,057
Franchise taxes	622,081	770,604	780,241	783,267
Fines and forfeitures	389,364	330,922	300,536	296,037
Licenses and permits	264,546	140,954	242,820	121,403
Intergovernmental	441,615	190,862	334,278	228,410
Charges for services	1,689,441	1,973,729	2,158,733	2,279,897
Investment earnings	172,436	69,038	6,673	28,310
Miscellaneous	345,070	495,156	514,286	1,188,089
<b>Total Revenues</b>	<u>9,177,921</u>	<u>9,448,629</u>	<u>10,407,303</u>	<u>10,918,917</u>
<b>Expenditures</b>				
General government	1,413,237	1,575,000	1,329,691	1,624,722
Public safety	5,067,779	5,386,062	6,262,566	6,354,900
Public works	2,153,206	2,198,603	2,280,917	2,237,085
Culture and recreation	661,921	429,448	376,298	379,060
Community development				
Capital outlay	13,209	1,045,918	560,536	36,495
Debt service:				
Principal	633,702	691,698	677,485	682,770
Interest and other charges	345,646	339,778	298,386	413,400
Debt issuance costs				222,525
Intergovernmental contributions				400,000
<b>Total Expenditures</b>	<u>10,288,700</u>	<u>11,666,507</u>	<u>11,785,879</u>	<u>11,728,432</u>
Excess of revenues over (under) expenditures	(1,110,779)	(2,217,878)	(1,378,576)	(809,515)
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,000,000	1,250,000	1,829,953	7,201,713
Transfers out	(1,591,028)	(638,980)	(577,185)	(4,249,854)
Bonds issued				9,040,000
Premium on bonds issued				275,462
Payments to refunded bond escrow agent				(4,683,931)
Capital leases	500,000			400,000
<b>Total other financing sources (uses)</b>	<u>(91,028)</u>	<u>611,020</u>	<u>1,252,768</u>	<u>7,983,390</u>
<b>Net Change in Fund Balances</b>	<u>\$ (1,201,807)</u>	<u>\$ (1,606,858)</u>	<u>\$ (125,808)</u>	<u>\$ 7,173,875</u>
Debt service as a percentage of noncapital expenditures	9.5%	9.7%	8.7%	9.5%

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 2,974,957	\$ 3,188,280	\$ 3,033,219	\$ 3,165,900	\$ 3,245,746	\$ 3,615,207
2,668,475	2,813,786	3,124,420	3,411,152	3,856,250	4,231,660
799,263	705,143	749,861	714,824	742,401	761,412
321,482	318,837	391,778	456,305	598,244	491,454
128,742	182,580	378,338	377,713	251,208	198,753
708,158	593,314	620,415	4,672,711	2,262,965	1,202,031
2,426,702	2,411,351	2,547,642	3,027,678	3,497,651	3,748,423
35,609	25,986	16,541	35,628	37,601	8,239
<u>1,006,239</u>	<u>747,337</u>	<u>61,246</u>	<u>52,090</u>	<u>150,132</u>	<u>74,848</u>
<u>11,069,627</u>	<u>10,986,614</u>	<u>10,923,460</u>	<u>15,914,001</u>	<u>14,642,198</u>	<u>14,332,027</u>
1,484,292	1,565,105	1,681,486	1,764,555	1,991,009	2,070,135
6,509,162	6,289,985	6,467,967	6,867,739	7,064,212	7,338,749
2,383,400	2,442,678	2,287,018	2,534,669	2,627,117	2,962,370
372,906	394,024	409,587	395,813	379,089	591,704
				58,046	134,920
10,875	3,116,088	1,444,579	4,500,246	6,522,278	2,442,203
881,336	890,928	699,311	929,920	918,637	1,024,249
382,968	370,774	647,142	597,336	564,272	663,604
<u>12,024,939</u>	<u>15,069,582</u>	<u>13,637,090</u>	<u>17,590,278</u>	<u>20,124,660</u>	<u>17,227,934</u>
(955,312)	(4,082,968)	(2,713,630)	(1,676,277)	(5,482,462)	(2,895,907)
1,900,000	2,047,000	2,108,989	2,404,100	2,493,900	2,423,384
(4,292,119)	(234,381)	(251,224)			(20,384)
		6,323,884			3,375,000
		296,116			200,695
		(2,045,472)			
	<u>40,411</u>	<u>2,265,000</u>	<u>79,149</u>		
<u>(2,392,119)</u>	<u>1,853,030</u>	<u>8,697,293</u>	<u>2,483,249</u>	<u>2,493,900</u>	<u>5,978,695</u>
<u>\$ (3,347,431)</u>	<u>\$ (2,229,938)</u>	<u>\$ 5,983,663</u>	<u>\$ 806,972</u>	<u>\$ (2,988,562)</u>	<u>\$ 3,082,788</u>

10.4%

9.0%

10.3%

11.7%

9.2%

10.8%

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

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>Real Property Value (1)</b>			<b>Less Tax Exempt Real Property</b>	<b>Total Taxable Assessed Value (2)</b>	<b>Total Direct Tax Rate (3)</b>
		<b>Residential Property</b>	<b>Commercial Property</b>	<b>Personal Property</b>			
2007	2006	\$ 181,800,785	\$ 215,023,230	\$ 73,325,583	\$ 139,762,146	\$ 330,387,452	\$ 0.79000
2008	2007	191,067,275	243,104,120	81,100,922	151,602,280	363,670,037	0.79000
2009	2008	206,216,948	285,710,705	81,043,685	173,417,630	399,553,708	0.79000
2010	2009	205,689,110	342,129,164	83,740,496	235,769,476	395,789,294	0.78650
2011	2010	202,697,125	357,514,250	71,360,572	258,258,484	373,313,463	0.78650
2012	2011	205,094,490	367,777,575	70,433,777	259,815,303	383,490,539	0.78650
2013	2012	202,121,195	368,121,195	67,294,981	261,595,051	375,942,320	0.78650
2014	2013	215,780,060	380,213,750	70,022,347	268,803,974	397,212,183	0.78000
2015	2014	244,500,875	417,816,625	66,517,447	271,310,629	457,524,318	0.77000
2016	2015	255,834,815	482,722,025	57,026,778	312,417,700	483,165,918	0.75500

- (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**

**City of Richmond**

<u>Fiscal Year</u>	<u>Maintenance Rate</u>	<u>Debt Service Rate</u>	<u>Total Tax Rate</u>	<u>Lamar CISD</u>	<u>Fort Bend County</u>	<u>Total</u>
2007	\$ 0.52880	\$0.26120	\$0.79000	\$ 1.54770	\$0.51674	\$ 2.85444
2008	0.55270	0.23730	0.79000	1.29765	0.51674	2.60439
2009	0.57920	0.21080	0.79000	1.29765	0.49976	2.58741
2010	0.52900	0.25750	0.78650	1.29765	0.49976	2.58391
2011	0.53930	0.24720	0.78650	1.36455	0.49976	2.65081
2012	0.54670	0.23980	0.78650	1.39005	0.49976	2.67631
2013	0.54360	0.24290	0.78650	1.39005	0.49976	2.67631
2014	0.54380	0.23620	0.78000	1.39005	0.49976	2.66981
2015	0.54350	0.22650	0.77000	1.39005	0.49476	2.65481
2016	0.52900	0.22600	0.75500	1.39005	0.48600	2.63105

(1) Tax rate per \$100 assessed valuation

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

Source: Tax department records of various taxing authorities

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

<b>Taxpayer</b>	<b>2016</b>			<b>2007</b>		
	<b>Taxable Assessed Value (1)</b>	<b>Rank</b>	<b>% of Total Assessed Valuation (2)</b>	<b>Taxable Assessed Value (1)</b>	<b>Rank</b>	<b>% of Total Assessed Valuation (2)</b>
Ransom Road Partners LLC	\$ 25,800,000	1	5.3%			
Wal-Mart Real Estate Business Tr	9,223,660	2	1.9%	\$ 9,683,600	1	2.9%
LSREF3 Bravo (houston) LLC	8,508,840	3	1.8%	7,943,050		2.4%
Hunter Clayton LLC	8,211,480	4	1.7%	7,377,900	4	2.2%
Wal-Mart Stores Texas LLC	6,913,360	5	1.4%	6,124,830	2	1.9%
OakBend Medical Center	4,998,960	6	1.0%	2,838,160		0.9%
Archer Daniel Midland CO	4,586,570	7	0.9%	7,406,670	3	2.2%
CenterPoint Energy Electric	4,271,740	8	0.9%			
Wolverine Mustang LP	3,500,000	9	0.7%			
Wolverine Mustang LP	3,500,000	10	0.7%			
Matrix Metals, LLC				5,661,600	5	1.7%
Heritage Country club Place				5,279,450	6	1.6%
CenterPoint Energy Inc				4,423,440	8	1.3%
Polly Ryon Hospital Authority				3,883,180	7	1.2%
Hobbs & Curry FLP				3,083,230	9	0.9%
Southern Cotton Oil Co				3,008,030	10	0.9%
	<u>79,514,610</u>		<u>16.5%</u>	<u>66,713,140</u>		<u>20.2%</u>
Other taxpayers	<u>403,651,308</u>		<u>83.5%</u>	<u>263,674,312</u>		<u>79.8%</u>
<b>Total Assessed Valuation</b>	<u><u>\$ 483,165,918</u></u>		<u><u>100.0%</u></u>	<u><u>\$ 330,387,452</u></u>		<u><u>100.0%</u></u>

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

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

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

Fiscal Year	Tax Year	Tax Rate (1)	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collecti
				Amount	Percentage of Levy	Amount	Amount
2007	2006	\$ 0.7900	\$ 2,585,666	\$ 2,506,050	96.9%	\$ 70,955	\$ 2,577,005
2008	2007	0.7900	2,817,611	2,707,816	96.1%	88,087	2,795,903
2009	2008	0.7900	3,117,375	2,982,814	95.7%	119,217	3,102,031
2010	2009	0.7865	3,167,197	3,006,008	94.9%	145,904	3,151,912
2011	2010	0.7865	2,988,938	2,846,225	95.2%	127,544	2,973,769
2012	2011	0.7865	3,016,882	2,927,688	97.0%	68,244	2,995,932
2013	2012	0.7865	2,963,047	2,890,178	97.5%	50,642	2,940,820
2014	2013	0.7800	3,099,933	3,022,710	97.5%	51,879	3,074,589
2015	2014	0.7700	3,230,521	3,142,305	97.3%	52,634	3,194,939
2016	2015	0.7550	3,546,562	3,472,192	97.9%		3,472,192

(1) Tax rate per \$100 assessed valuation

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

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government
	General Obligation Bonds (1)	Certificates of Obligation (1)	Capital Leases (1)	Certificates of Obligation (1)	Capital Leases	
2007	\$ 7,130,853		\$812,374	\$ 2,605,000	\$ 46,301	\$10,594,528
2008	6,573,594		665,812	2,455,000	16,307	9,710,713
2009	6,011,335		518,173	2,305,000		8,834,508
2010	9,864,075		773,022	2,155,000		12,792,097
2011	9,225,392		671,686	2,005,000		11,902,078
2012	8,266,079		601,167	1,855,000		10,722,246
2013	14,062,636	2,322,893	471,857			16,857,386
2014	13,252,056	2,260,577	391,086			15,903,719
2015	12,522,056	2,200,577	235,344	9,988,256		24,946,233
2016	11,524,289	5,807,432	81,120	16,184,983		33,597,824

- (1) Details regarding the City's outstanding debt can be found in the notes to the financial statements.  
(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for valuation data.  
(3) See the Schedule of Demographic and Economic Statistics for personal income and population data.  
N/A - information is unavailable



<b>Percentage of Actual Taxable Value of Property (2)</b>	<b>Percentage of Personal Income (3)</b>	<b>Per Capita (3)</b>
3.21%	4.63%	\$ 737
2.67%	4.24%	724
2.21%	4.31%	655
3.23%	4.85%	1,095
3.19%	5.73%	1,019
2.80%	5.85%	918
4.48%	7.03%	1,446
4.00%	4.99%	1,323
5.45%	10.15%	2,076
6.95%	13.77%	2,768

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

<b>Fiscal Year</b>	<b>General Obligation Bonds (1)</b>	<b>Certificates of Obligation (1)</b>	<b>Less Amounts Available in Debt Service Fund</b>	<b>Net Bonded Debt</b>
2007	\$ 7,130,853		\$ 987,002	\$ 6,143,851
2008	6,573,594		1,003,541	5,570,053
2009	6,011,335		1,024,540	4,986,795
2010	9,864,075		1,090,314	8,773,761
2011	9,225,392		1,053,463	8,171,929
2012	8,266,079		875,125	7,390,954
2013	14,062,636	2,322,893	625,051	15,760,478
2014	13,252,056	2,260,577	625,051	14,887,582
2015	12,522,056	2,200,577	637,862	14,084,771
2016	11,524,289	5,807,432	752,519	16,579,202

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

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

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

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

<b>Percentage of Estimated Actual Taxable Value of Property (2)</b>	<b>Percentage of Personal Income (3)</b>	<b>Per Capita (3)</b>
1.86%	2.68%	\$ 427
1.53%	2.43%	416
1.25%	2.43%	370
2.22%	3.32%	751
2.19%	3.93%	700
1.93%	4.03%	633
4.19%	6.57%	1,352
3.75%	4.67%	1,239
3.08%	5.73%	1,172
3.43%	6.80%	1,366

**CITY OF RICHMOND, TEXAS**  
**DIRECT AND OVERLAPPING GOVERNMENTAL**  
**ACTIVITIES DEBT**  
**September 30, 2016**

<u>Name of Governmental Unit</u>	<u>Gross Debt</u>	<u>Estimated Percentage Overlapping</u>	<u>Amount</u>
Lamar CISD	\$ 719,995,000	3.93%	\$ 28,295,804
Fort Bend County	523,195,000	0.91%	4,761,075
<b>Total Overlapping Debt</b>			<u>33,056,878</u>
City of Richmond	17,331,721	100.00%	<u>17,331,721</u>
<b>Total Direct and Overlapping Debt</b>			<u><u>\$ 50,388,599</u></u>
Ratio of Direct and Overlapping Funded Debt to 2015 Taxable Assessed Valuation			<u>11.01%</u>
Per Capita Debt - Direct and Overlapping			<u><u>\$ 4,151</u></u>

Notes:

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

Methodology for Deriving Overlapping Percentages:

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

Source: Texas Municipal Advisory Council

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

<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income</b>	<b>Per Capita Personal Income (1)</b>	<b>Median Age (1)</b>	<b>School Enrollment (2)</b>	<b>Unemployment Rate (3)</b>
2007	14,372	\$ 228,980,532	\$ 15,195	31	2,051	4.2%
2008	13,404	228,980,532	17,083	31	2,153	5.5%
2009	13,493	205,026,135	15,195	30	1,983	6.1%
2010	11,679	263,914,596	19,503	30	2,524	8.3%
2011	11,679	207,792,768	17,792	30	1,989	7.6%
2012	11,679	183,358,065	15,195	30.50	3,089	7.0%
2013	11,654	239,866,088	19,514	31.90	2,316	5.5%
2014	12,018	318,633,234	26,513	33.00	2,258	4.3%
2015	12,018	245,683,974	20,443	33.00	2,401	4.3%
2016	12,138	243,925,248	20,096	34.00	2,439	5.3%

n/a - information is unavailable

Data Sources:

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

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

<u>Employer</u>	<u>2016</u>		<u>2007</u>	
	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
Fort Bend County	2,509	1	1,794	1
Lamar CISD	1,600	2		
Richmond State School	1,370	3	1,224	2
Oak Bend Hospital	1,100	4	426	3
Wal-Mart	275	5	275	5
Access Health	231	6		
City of Richmond	165	7	127	6
Richmond Post Office	104	8	63	8
T. W. Davis YMCA	75	9	105	7
Wharton County Junior College	60	10		
ADM Cotton Mill			40	9
NEPCO Foundry/Matrix Metal			280	4
Office Depot			6	10
<b>Total</b>	<u>7,489</u>		<u>4,340</u>	

Source: Development Corporation of Richmond

Note: Information on total City employment was unavailable.

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

<b>Function</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
General Government	10	10	10	9
Public Safety				
Police				
Officers	32	31	31	30
Civilians	10	11	11	10
Fire				
Firefighters	28	34	34	34
Civilians	3	3	3	3
Public Works				
Administration	2	2	2	2
Streets and Sanitation	10	10	11	11
Maintenance and Operations	4	4	4	4
Parks and Recreation	6	7	7	7
Water and Sewer	28	28	27	30
<b>Total</b>	<b>133</b>	<b>140</b>	<b>140</b>	<b>140</b>

Source: City personnel records



<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
8	10	11	9	8	13
31	31	29	32	33	31
12	13	12	10	10	12
34	40	43	42	43	43
3	4	4	4	5	10
2	2	2	2	4	5
11	12	11	11	11	11
4	4	4	6	6	5
7	7	7	7	7	6
<u>30</u>	<u>33</u>	<u>31</u>	<u>34</u>	<u>38</u>	<u>38</u>
<u>142</u>	<u>154</u>	<u>154</u>	<u>157</u>	<u>165</u>	<u>174</u>

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

<b>Function</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Police</b>				
Arrests	340	401	501	745
Accident Reports	252	246	239	237
Citations	4,467	4,575	3,989	3,611
Offense reports	1,572	1,759	1,650	1,413
Calls for Service	63,036	67,499	58,944	30,078
<b>Fire</b>				
Structural Fires	31	23	31	16
Vehicle Fires	26	21	22	11
Vegetation Fires	19	24	50	34
Trash/dumpster/other fires	17	35	42	21
Emergency Medical Service	1,612	1,800	1,858	2,091
Rescue	151	148	188	222
Hazardous condition/material calls	79	176	148	192
Service Calls	836	887	651	702
Good Intent calls	355	314	382	378
False Alarms	16	22	18	42
Automatic aid/mutual aid given	156	152	167	154
Total Incident Reports	3,298	3,602	3,557	3,863
<b>Fire Marshal</b>				
Fire Safety inspections conducted	331	274	340	328
Fire Safety classes/total audience	45/4582	54/3942	57/4134	71/6468
Fire investigations initiated	30	37	37	26
<b>Building Permits</b>				
Building - total permits issued	1,952	1,567	1,262	1,369
Building - total inspections conducted	3,953	4,320	2,903	2,861
<b>Water</b>				
Total Consumption (millions of gallons)	652.961	723.511	723.511	720.179
Peak daily consumption (millions of gallons)	3.408	3.214	3.214	3.267
Average daily consumption (millions of gallons)	1.788	1.977	1.977	1.973
<b>Sewer</b>				
Average daily sewage treatment (millions of gallons)	1.452	1.376	1.376	1.492
Total Consumption (millions of gallons)	529.939	503.745	503.745	546.592
Peak daily consumption (millions of gallons)	3.566	3.000	3.000	2.778

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
280	323	467	353	589	578
209	181	197	207	207	274
2,705	3,456	3,897	3,922	2,767	2,459
1,098	973	1,178	1,167	1,056	1,146
26,481	20,475	22,268	22,862	23,168	21,583
169	99	89	65	70	116
14	11	19	16	16	19
88	16	34	17	17	18
29	72	139	43	10	28
1,931	1,646	1,853	2,002	2,346	2,666
24	153	242	351	369	227
110	220	139	94	162	151
361	418	367	356	308	303
383	174	172	317	151	220
18	421	355	230	484	437
111	150	177	159	167	144
3,238	3,230	3,409	3,650	4,100	4,329
301	270	200	260	247	160
67/6442	69/6444	77/3629	81/3901	78/3800	45/3884
35	35	36	32	12	23
2,508	2,206	2,649	2,731	2,638	2,264
4,018	3,961	5,763	8,426	9,105	8,505
971.275	819	825.755	820.761	869.066	803.309
4.445	3.518	3.782	3.666	4.474	3.527
2.661	2.243	2.262	2.248	2.381	2.543
1.415	1.533	1.336	1.341	1.354	1.504
516.391	560.079	487.633	489.465	494.192	577.946
2.717	5.778	3.541	3.908	6.102	6.122

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

<b>Function</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Public safety				
Police				
Stations	1	1	1	1
Patrol units	25	25	27	27
Fire				
Fire stations	2	2	2	3
Public Works				
Dump trucks	2	10	10	10
Streets (miles)	45	45	45	45
Parks and recreation				
Parks acreage	235	235	235	235
Parks	3	3	3	3
Water and sewer				
Water mains (miles)	50	50	50	50
Fire hydrants	287	287	292	292
Maximum daily capacity (millions of gallons)	3.167	3.167	3.167	3.167
Sanitary sewers (miles)	44	44	44	44
Storm sewers (miles)	12	12	12	12
Maximum daily treatment capacity (millions of gallons)	3.000	3.000	3.000	3.000

Source: Various City departments

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

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
1	1	1	1	1	1
27	23	23	23	23	25
3	3	3	3	3	3
9	9	9	9	9	8
38	38	38	38	38	38
235	235	246	246	246	246
3	3	4	4	4	5
53	53	54	54	54	54
326	326	342	353	353	353
7.171	7	7.171	7.171	7.171	7.171
44	44	44	44	44	44
12	12	12	12	12	12
3.000	3.000	3.000	3.000	3.000	3.000

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