

# **Comprehensive Annual Financial Report**

of the

## **City of Richmond, Texas**

**Fiscal Year Ended  
September 30, 2010**



### **Officials Issuing Report**

**Terri Vela  
City Manager**



# CITY OF RICHMOND, TEXAS

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended September 30, 2010

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# CITY OF RICHMOND, TEXAS

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended September 30, 2010

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**Hilmar G. Moore**  
*Mayor*

**William H. (Bill) Dostal, Sr.**  
**Gary L. Gillen**  
*Commissioners*

# City of Richmond

402 Morton Street  
Richmond, Texas 77469  
(281) 342-5456  
ci.richmond.tx.us



April 5, 2011

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, 2010, 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 financial 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 **Sandersen Knox & Co., L.L.P.**, Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2010, 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 on the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the year ended September 30, 2010, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The 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 4.074 square miles and serves a population of 13,532. 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 City of Richmond has operated under a Commission form of government since 1913. The Commission, vested with policy-making and legislative authority, is comprised of a Mayor and two Commission members. The Mayor and Commission members are all elected at large for a two-year term, with no term limits. The City Commission is responsible, among other things, for passing ordinances, adopting the budget and the hiring of the City's manager 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 Commission, 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 or July 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, function (e.g. public safety) 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 and Debt Service 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 and a variety of general retail operations. This diversification is evident in the fact that no single taxpayer represents more than 2.9% of assessed valuation in the City.

The City is also a major retail trade area for antiques, building materials, general merchandise, food stores, automotive, and restaurants.

Net taxable value for all residential and commercial property in the City exceeded \$395 million for fiscal year 2010, which is a .9% decrease from fiscal year 2009.

## **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. The City Charter 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 management.

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 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 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.

### **Budgetary Controls**

During the year, expenditure controls are maintained by each department with review of the budget provided by the Finance Director and overall control exercised by the City Manager. Constant review of revenue and expenditure estimates is performed to assure the integrity of the adopted budget and to assure funds are available to meet current obligations. As a result of this review, it is possible to exercise administrative budgetary controls throughout the year. As demonstrated by the financial statements presented in this report, the City continues to meet its responsibility for sound financial management.

## **LONG-TERM FINANCIAL PLANNING**

The City is reviewing its policy and strategy for the unreserved fund balance and allowing the fund balance to increase to 5% of operating expenses. Following its recent review of the City of Richmond,

Texas' strategic plan, the Commission is considering raising the unreserved, undesignated fund balance policy in the future.

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 severed financial burden.

## **RELEVANT FINANCIAL POLICIES**

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 2015 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 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 Cities of Richmond and Rosenberg has joined together to build a surface water treatment facility. Richmond's portion of the surface water treatment facility and water transmission lines (including its GRP Partners) is estimated to be \$15.3 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, 2009. This was the fifth year that the City applied for 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.



**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

# 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, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



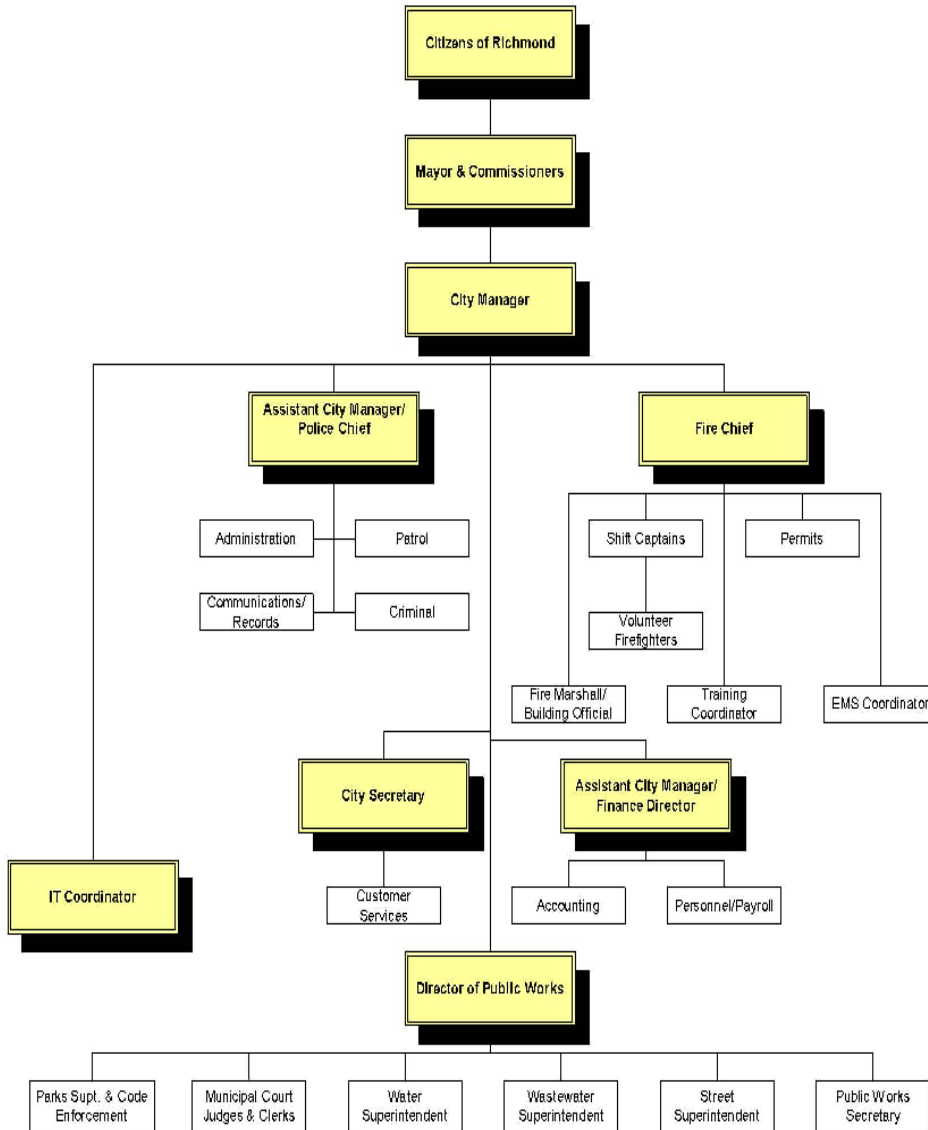
President

Executive Director

# CITY OF RICHMOND, TEXAS

## ORGANIZATIONAL CHART

Fiscal Year 2009-2010



# CITY OF RICHMOND, TEXAS

## PRINCIPAL OFFICIALS

September 30, 2010

<u>City Officials</u>	<u>Elective Position</u>	<u>Term Expires</u>
Hilmar G. Moore	Mayor	2012
William H. Dostal	City Commissioner	2012
Gary L. Gillen	City Commissioner	2012
<u>Key Staff</u>	<u>Position</u>	
Terri Vela	City Manager*	
Lenert Kurtz	Public Works Director	
R. Glen Gilmore	Assistant City Manager	
William Whitworth	Assistant City Manager /Police Chief	
Stephen Noto	Fire Chief	
Mona Matak	City Secretary	
Stephen Gilbert	Municipal Court Judge *	

\* - City Commission Appointive Position

## **FINANCIAL SECTION**

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## **Independent Auditors' Report**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Richmond, Texas, as of September 30, 2010, and for the year then ended, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City of Richmond, Texas, management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Richmond, Texas, as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2011, on our consideration of the City of Richmond, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12, budgetary comparison information on page 50 and pension information on page 52 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Richmond, Texas' financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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.

A handwritten signature in cursive script, appearing to read "Sugar Land & Co.", is written in black ink.

Sugar Land, Texas  
March 31, 2011



## Management's Discussion and Analysis

As management of Richmond, Texas (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 year ended September 30, 2010.

### FINANCIAL HIGHLIGHTS

- The assets of the City, excluding component units, exceeded its liabilities at the close of the most recent fiscal year by \$38,052,147 (net assets). Of this amount, \$10,091,928 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets, excluding component units, increased by \$1,838,988.
- As of September 30, 2010, the City's governmental funds reported an ending fund balance of \$8,004,535, an increase of \$6,551,350 in comparison with the prior year.
- At the end of the fiscal year, the General Fund reported a fund balance of \$43,366, or .4 percent of total General Fund expenditures.
- The City's long-term debt, excluding component units and compensated absences, increased by \$4,371,628 during the current fiscal year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

### 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 assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 City's net assets changed during the most recent fiscal year. All changes in net assets 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., depreciation and earned but unused vacation leave).

The government-wide financial statements present functions of the City that are provided from funding sources (governmental activities). The government-wide financial statements can be found on pages 15-17 of this report.

### FUND FINANCIAL STATEMENTS

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

**Governmental Funds** - Governmental funds are used to account for essentially the same function 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 the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the 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 financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide an adjustments column to facilitate this comparison between the governmental funds and *governmental activities*. The basic governmental fund financial statements can be found on pages 18-21 of this report.

**Proprietary Funds** - Proprietary Funds include the City's Enterprise Fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City has one enterprise fund and it is used to account for its water and wastewater services.

## **NOTES TO THE FINANCIAL STATEMENTS**

The notes to the financial statements 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 27 through 47 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 General Fund budget and the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 50-52 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, excluding component units, assets exceeded liabilities by \$38,052,147 as of September 30, 2010.

The largest portion of the City's net assets (70.0 percent) reflects its investment in capital assets (e.g. land, buildings, vehicles, machinery and equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to the individuals we serve; consequently, these assets are not available for future spending.

The second largest portion of the City's net assets (26.5 percent) represents unrestricted financial resources available for future operations.

Additionally, a portion of the City's net assets (3.5 percent) represents resources that are subject to restrictions on how they may be used.

**SUMMARY OF STATEMENT OF NET ASSETS**  
**As of September 30, 2010 and 2009**  
(amounts expressed in thousands)

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Current and other assets	\$ 10,292	\$ 2,736	\$ 8,301	\$ 12,648	\$ 18,593	\$ 15,384
Capital assets, net	11,845	11,614	23,162	19,537	35,007	31,151
<b>Total Assets</b>	<b>22,137</b>	<b>14,350</b>	<b>31,463</b>	<b>32,185</b>	<b>53,600</b>	<b>46,535</b>
Long-term liabilities	10,922	6,533	2,155	2,305	13,077	8,838
Other liabilities	1,731	868	740	743	2,471	1,611
<b>Total Liabilities</b>	<b>12,653</b>	<b>7,401</b>	<b>2,895</b>	<b>3,048</b>	<b>15,548</b>	<b>10,449</b>
Net Assets:						
Invested in capital assets, net of debt	5,603	5,535	21,007	17,232	26,610	22,767
Restricted	1,201	1,497	150	5,265	1,351	6,762
Unrestricted	2,680	(83)	7,411	6,640	10,091	6,557
<b>Total Net Assets</b>	<b>\$ 9,484</b>	<b>\$ 6,949</b>	<b>\$ 28,568</b>	<b>\$ 29,137</b>	<b>\$ 38,052</b>	<b>\$ 36,086</b>

Net assets of the City, excluding component units, increased by \$1,838,988. Key elements of the increase are as follows:

**CHANGES IN NET ASSETS**  
**For the Fiscal Years Ended September 30, 2010 and 2009**  
(amounts expressed in thousands)

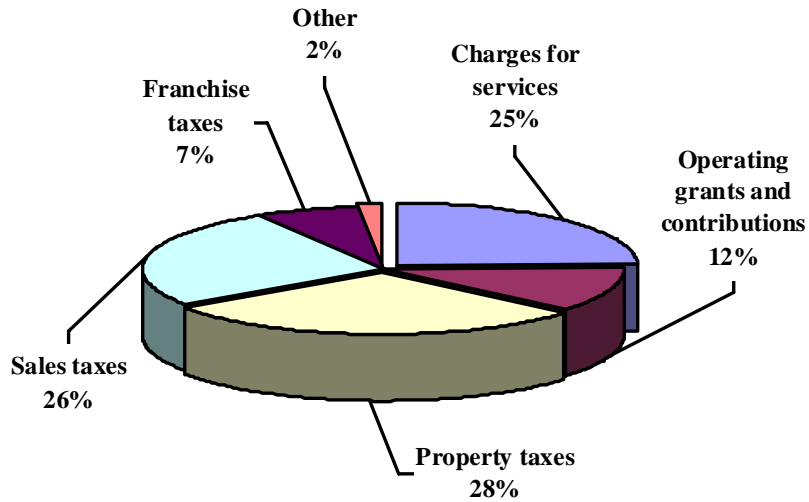
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 2,692	\$ 2,921	\$ 6,681	\$ 6,525	\$ 9,373	\$ 9,446
Operating grants and contributions	1,278	629			1,278	629
Capital grants and contributions		450				450
General revenues:						
Property taxes, penalties and interest	3,158	3,134			3,158	3,134
Sales taxes	2,857	2,952			2,857	2,952
Franchise taxes	783	781			783	781
Contributions						
Investment income and other	172	7	3	21	175	28
<b>Total Revenues</b>	<u>10,940</u>	<u>10,874</u>	<u>6,684</u>	<u>6,546</u>	<u>17,624</u>	<u>17,420</u>
<b>Expenses</b>						
General government	1,932	1,289			1,932	1,289
Public works	2,536	2,593			2,536	2,593
Parks and recreation	471	472			471	472
Public safety-Police	3,106	3,104			3,106	3,104
Public safety-Fire	3,173	3,182			3,173	3,182
Water and sewer			4,087	3,956	4,087	3,956
Interest on long-term debt	480	296			480	296
<b>Total Expenses</b>	<u>11,698</u>	<u>10,936</u>	<u>4,087</u>	<u>3,956</u>	<u>15,785</u>	<u>14,892</u>
<b>Increase (Decrease) in Net Assets Before Transfers</b>	(758)	(62)	2,597	2,590	1,839	2,528
Transfers	2,952	803	(2,952)	(803)		
<b>Change in Net Assets</b>	2,194	741	(355)	1,787	1,839	2,528
Net assets, beginning	7,290	6,549	28,923	27,136	36,213	33,685
<b>Net Assets, Ending</b>	<u>\$ 9,484</u>	<u>\$ 7,290</u>	<u>\$ 28,568</u>	<u>\$ 28,923</u>	<u>\$ 38,052</u>	<u>\$ 36,213</u>

There was an increase of \$2,194,127 in net assets in connection with the City's governmental activities, compared to an increase of \$740,462 in the previous fiscal year. This increase over the previous fiscal year is primarily due to a transfer from the Water and Sewer Fund to the Capital Projects Fund in the amount of \$5,701,713. This transfer will be used to fund a wastewater plant expansion project, which will take the plant from 1.5 million gallons per day to 3.0 million gallons per day.

The City's business-type net assets decreased by \$355,139 in the current fiscal year. This decrease in net assets can be attributed to the transfer made to the Capital Projects Fund discussed in the preceding paragraph.

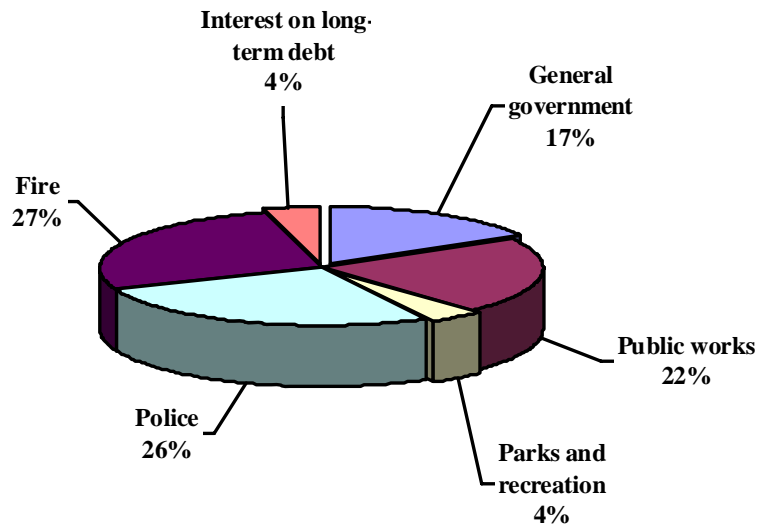
Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities.

### GOVERNMENTAL REVENUES



For the fiscal year ended September 30, 2010, revenues from governmental activities, excluding transfers, totaled \$10.9 million.

### GOVERNMENTAL FUNCTIONAL EXPENSES



For the fiscal year ended September 30, 2010, expenses for governmental activities totaled \$11.7 million.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As previously noted, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City's governmental funds are discussed below:

**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, fund balances may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

As of September 30, 2010, the City's governmental funds, which consist of a general fund, debt service fund, capital projects fund and other nonmajor governmental funds reported an ending fund balance of \$8,004,535, which is an increase of \$6,551,350 from last year's total of \$1,453,185. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. The General Fund reported a fund balance of \$43,366, or .4 percent of total General Fund expenditures.

The fund balance of the General Fund increased by \$18,762 during the fiscal year. This increase is mainly attributable to an increase in fees and charges for services. General government expenditures in the General Fund increased by \$125,054.

The Debt Service Fund has a fund balance of \$1,090,314, all of which is reserved for the payment of debt service. The net increase in fund balance for the year was \$65,774. This increase can be attributed to an increase in property tax revenues.

The Capital Projects Fund has a fund balance of \$6,573,954 as of September 30, 2010. This ending fund balance represents an increase of \$6,489,182. This increase can be attributed to the issuance of the Series 2009 General Obligation Bonds in the amount of \$4,000,000. In addition, the Water and Sewer fund transferred \$5,701,713 to the Capital Projects Fund to fund a wastewater plant expansion project.

**Proprietary Fund** - The City's proprietary fund provides the same type of information as found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Fund at the end of the fiscal year amounted to \$7,411,532. The decrease in total net assets for the year was \$355,139. This decrease can be attributed to the \$5,701,713 transfer made to the Capital Projects Fund.

## GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, there was one change in appropriations between the original and final amended budget for expenditures at the department level, the legal level of budgetary control. The budget for general government engineering and professional fees was increased by \$125,000. Debt service expenditures exceeded appropriations by \$104,118 due to the fact that some principal and interest payments were originally budgeted for in other departments. In the future, these expenditures will be budgeted for in Debt Service.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets** - The City's investment in capital assets as of September 30, 2010 amounts to \$35,006,405 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles, machinery and equipment, and infrastructure.

### SCHEDULE OF CAPITAL ASSETS (amounts expressed in thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
<b>Non-Depreciable Assets</b>						
Land	\$ 1,909	\$ 1,879	\$ 832	\$ 832	\$ 2,741	\$ 2,711
Construction in progress	389	307	4,807	513	5,196	820
<b>Other Capital Assets</b>						
Buildings	5,382	5,292	8,665	8,665	14,047	13,957
Improvements other than buildings	2,309	2,277	1,198	1,124	3,507	3,401
Machinery and equipment	5,326	4,679	960	929	6,286	5,608
Infrastructure	6,424	6,181	30,603	30,603	37,027	36,784
Accumulated depreciation on other capital assets	(9,894)	(9,001)	(23,903)	(23,129)	(33,797)	(32,130)
<b>Totals</b>	<b>\$ 11,845</b>	<b>\$ 11,614</b>	<b>\$ 23,162</b>	<b>\$ 19,537</b>	<b>\$ 35,007</b>	<b>\$ 31,151</b>

During the 2010 fiscal year, business-type activities construction in progress increased by \$4,294,377. This increase can be attributed the addition of several new projects including the Lamar Drive Paving Drainage, Water and Sanitary Sewer replacement project, the Richmond Regional Wastewater Treatment Plant Expansion project and also the Sanitary Sewer Pipe Bursting project.

Also, during the 2010 fiscal year, governmental activities machinery and equipment increased by \$491,325. This increase can be attributed to the purchase of a Spartan Custom Pumper and equipment to stock the truck for the Fire Department. The Fire Department also added a Prime Mover truck and a couple of boats.

Additional information on the City's capital assets can be found in Note 6 in the notes to financial statements.

**Long-term Debt** - At the end of the current fiscal year, the City, excluding component units, had total long-term debt of \$13,077,439. Of this amount, \$9.7 million is general obligation debt, and certificates of obligation account for \$2.2 million.

**SCHEDULE OF LONG-TERM DEBT**  
(amounts expressed in thousands)

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
General Obligation Bonds	\$ 9,677	\$ 5,560	\$	\$	\$ 9,677	\$ 5,560
Certificates of Obligation			2,155	2,305	2,155	2,305
Capital leases	773	518			773	518
Compensated absences	472	455			472	455
<b>Total</b>	<u>\$ 10,922</u>	<u>\$ 6,533</u>	<u>\$ 2,155</u>	<u>\$ 2,305</u>	<u>\$ 13,077</u>	<u>\$ 8,838</u>

Additional information on the City's long-term debt can be found in Note 7 in the notes to financial statements.

**ECONOMIC FACTORS**

- The General Fund reported a fund balance of \$43,366. It is intended that additional revenues and controls on spending will significantly increase fund balance during the 2011 fiscal year.

**REQUESTS FOR INFORMATION**

The financial report is designed to provide a general overview of Richmond Texas' finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Richmond, Texas: Terri Vela, City Manager, 402 Morton Street, Richmond, Texas 77469.



## **BASIC FINANCIAL STATEMENTS**

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# CITY OF RICHMOND, TEXAS

Exhibit A-1

## STATEMENT OF NET ASSETS

September 30, 2010

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Development Corporation of Richmond	Richmond Higher Education Finance Corp.
<b><u>Assets</u></b>					
Cash and cash equivalents	\$ 9,545,767	\$ 6,035,054	\$ 15,580,821	\$ 3,999,709	\$ 995
Current portion of receivables	1,413,634	815,331	2,228,965	159,841	
Restricted cash and cash equivalents		576,337	576,337		
Internal balances	(875,000)	875,000			
Deferred charges	207,979		207,979		
Capital assets, net of accumulated depreciation:					
Land	1,908,751	832,109	2,740,860		
Buildings	4,300,922	5,123,568	9,424,490		
Improvements other than buildings	1,533,279	1,016,217	2,549,496		
Machinery and equipment	1,830,575	209,741	2,040,316		
Infrastructure	1,882,510	11,173,355	13,055,865		
Construction in progress	388,469	4,806,909	5,195,378		
<b>Total Assets</b>	<b>22,136,886</b>	<b>31,463,621</b>	<b>53,600,507</b>	<b>4,159,550</b>	<b>995</b>
<b><u>Liabilities</u></b>					
Accounts payable	1,683,304	313,853	1,997,157	3,053	
Accrued interest payable	46,557	7,241	53,798		
Unearned revenue	870		870		
Customer deposits		419,096	419,096		
Long-term liabilities due within one year	947,284	150,000	1,097,284		
Long-term liabilities due in more than one year	9,975,155	2,005,000	11,980,155		
<b>Total Liabilities</b>	<b>12,653,170</b>	<b>2,895,190</b>	<b>15,548,360</b>	<b>3,053</b>	
<b><u>Net Assets</u></b>					
Invested in capital assets, net of related debt	5,602,683	21,006,899	26,609,582		
Restricted for:					
Debt service	1,043,757	150,000	1,193,757		
Economic development	156,880		156,880	4,156,497	995
Unrestricted	2,680,396	7,411,532	10,091,928		
<b>Total Net Assets</b>	<b>\$ 9,483,716</b>	<b>\$ 28,568,431</b>	<b>\$ 38,052,147</b>	<b>\$ 4,156,497</b>	<b>\$ 995</b>

See Notes to Financial Statements.

# CITY OF RICHMOND, TEXAS

## STATEMENT OF ACTIVITIES

Year Ended September 30, 2010

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government</b>			
<b>Governmental Activities</b>			
General government	\$ 1,932,001	\$	\$ 171,778
Public works	2,535,798	1,474,934	1,044,631
Parks and recreation	471,017		
Public safety-Police	3,106,352	296,037	
Public safety-Fire	3,173,145	921,365	61,633
Interest on long-term debt	479,682		
<b>Total Governmental Activities</b>	11,697,995	2,692,336	1,278,042
<b>Business-type Activities</b>			
Water and sewer	4,087,381	6,681,028	
<b>Total Business-type Activities</b>	4,087,381	6,681,028	
<b>Total Primary Government</b>	\$ 15,785,376	\$ 9,373,364	\$ 1,278,042
<b>Component Units</b>			
Development Corp. of Richmond	\$ 379,695	\$	\$ 400,000
Richmond Higher Education			
Finance Corporation			
<b>Total Component Units</b>	\$ 379,695	\$	\$ 400,000

**General Revenues:**

- Property taxes
- Sales taxes
- Franchise taxes
- Investment earnings
- Miscellaneous

**Transfers**

**Total General Revenues and Transfers**

**Change in Net Assets**

- Net Assets, Beginning
- Net Assets, Ending**

<b>Net (Expense) Revenue and Changes in Net Assets</b>				
<b>Primary Government</b>			<b>Component Units</b>	
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Development Corporation of Richmond</b>	<b>Richmond Higher Education Finance Corp.</b>
\$ (1,760,223)	\$	(1,760,223)	\$	\$
(16,233)		(16,233)		
(471,017)		(471,017)		
(2,810,315)		(2,810,315)		
(2,190,147)		(2,190,147)		
(479,682)		(479,682)		
<u>(7,727,617)</u>		<u>(7,727,617)</u>		
	2,593,647	2,593,647		
	2,593,647	2,593,647		
<u>\$ (7,727,617)</u>	<u>\$ 2,593,647</u>	<u>\$ (5,133,970)</u>		
			20,305	
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 20,305</u>	<u>\$</u>
\$ 3,157,793	\$	\$ 3,157,793	\$	\$
2,857,057		2,857,057	947,821	
783,267		783,267		
28,310	3,073	31,383	822	
143,458		143,458		
2,951,859	(2,951,859)			
<u>9,921,744</u>	<u>(2,948,786)</u>	<u>6,972,958</u>	<u>948,643</u>	
<u>2,194,127</u>	<u>(355,139)</u>	<u>1,838,988</u>	<u>968,948</u>	
<u>7,289,589</u>	<u>28,923,570</u>	<u>36,213,159</u>	<u>3,187,549</u>	<u>995</u>
<u>\$ 9,483,716</u>	<u>\$ 28,568,431</u>	<u>\$ 38,052,147</u>	<u>\$ 4,156,497</u>	<u>\$ 995</u>

**CITY OF RICHMOND, TEXAS**

Exhibit A-3

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**

**September 30, 2010**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>					
Cash and cash equivalents	\$ 869,965	\$ 1,035,273	\$ 7,347,038	\$ 293,492	\$ 9,545,768
Receivables:					
Taxes	880,086	112,110			992,196
Accounts	228,620			17,655	246,275
Intergovernmental	34,516			140,647	175,163
Due from other funds	135,221	65,762			200,983
<b>Total Assets</b>	<b>\$ 2,148,408</b>	<b>\$ 1,213,145</b>	<b>\$ 7,347,038</b>	<b>\$ 451,794</b>	<b>\$ 11,160,385</b>
<b><u>Liabilities and Fund Balances</u></b>					
<b><u>Liabilities</u></b>					
Accounts payable and accrued liabilities	\$ 755,697	\$ 500	\$ 773,084	\$ 154,023	\$ 1,683,304
Due to other funds	1,065,762	10,221			1,075,983
Deferred revenue	283,583	112,110		870	396,563
<b>Total Liabilities</b>	<b>2,105,042</b>	<b>122,831</b>	<b>773,084</b>	<b>154,893</b>	<b>3,155,850</b>
<b><u>Fund Balances</u></b>					
Fund Balances:					
Reserved for:					
General government				118,614	118,614
Parks and recreation				38,266	38,266
Debt service		1,090,314			1,090,314
Unreserved, reported in:					
General fund	43,366				43,366
Capital projects funds			6,573,954	150,088	6,724,042
Special revenue funds				(10,067)	(10,067)
<b>Total Fund Balances</b>	<b>43,366</b>	<b>1,090,314</b>	<b>6,573,954</b>	<b>296,901</b>	<b>8,004,535</b>
<b>Total Liabilities and         Fund Balances</b>	<b>\$ 2,148,408</b>	<b>\$ 1,213,145</b>	<b>\$ 7,347,038</b>	<b>\$ 451,794</b>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds.	11,844,506
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.	395,692
Some liabilities, including bonds payable, interest payable, capital leases payable, and accrued compensated absences are not reported as liabilities in the governmental funds.	(10,761,017)
<b>Net Assets of Governmental Activities</b>	<b>\$ 9,483,716</b>

**CITY OF RICHMOND, TEXAS**

Exhibit A-4

**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS**

**For the Year Ended September 30, 2010**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Revenues</u></b>					
Taxes:					
Property	\$ 2,114,946	\$ 1,021,501	\$	\$	\$ 3,136,447
Sales	2,857,057				2,857,057
Franchise	783,267				783,267
Licenses and permits	121,403				121,403
Fines and forfeitures	285,984			10,053	296,037
Fees and charges for services	2,279,897				2,279,897
Intergovernmental	57,976			170,434	228,410
Investment earnings	12,718	2,240	12,984	368	28,310
Other	132,661	9,127	1,044,631	1,670	1,188,089
<b>Total Revenues</b>	<u>8,645,909</u>	<u>1,032,868</u>	<u>1,057,615</u>	<u>182,525</u>	<u>10,918,917</u>
<b><u>Expenditures</u></b>					
<b>Current:</b>					
General government	1,454,745			169,977	1,624,722
Public safety	6,351,439			3,461	6,354,900
Public works	2,237,085				2,237,085
Parks and recreation	379,060				379,060
<b>Debt Service:</b>					
Principal retirement	100,891	560,000	21,879		682,770
Interest and fiscal charges	3,927	399,596	9,877		413,400
Debt issuance costs		83,618	138,907		222,525
Intergovernmental contribution		400,000			400,000
<b>Capital Outlay</b>					
<b>Total Expenditures</b>	<u>10,527,147</u>	<u>1,443,214</u>	<u>175,703</u>	<u>204,893</u>	<u>12,350,957</u>
<b>Excess (Deficiency) of Revenues</b>					
<b>Over (Under) Expenditures</b>	<u>(1,881,238)</u>	<u>(410,346)</u>	<u>881,912</u>	<u>(22,368)</u>	<u>(1,432,040)</u>
<b><u>Other Financing Sources (Uses)</u></b>					
Issuance of debt		5,040,000	4,000,000		9,040,000
Premium on bonds		120,051	155,411		275,462
Payment to refunding bond agent		(4,683,931)			(4,683,931)
Capital lease	400,000				400,000
Transfers from other funds	1,500,000		5,701,713		7,201,713
Transfers (to) other funds			(4,249,854)		(4,249,854)
<b>Total Other Financing Sources (Uses)</b>	<u>1,900,000</u>	<u>476,120</u>	<u>5,607,270</u>		<u>7,983,390</u>
<b>Net Change in Fund Balances</b>	18,762	65,774	6,489,182	(22,368)	6,551,350
Fund balances - beginning	24,604	1,024,540	84,772	319,269	1,453,185
<b>Fund Balances - Ending</b>	<u>\$ 43,366</u>	<u>\$ 1,090,314</u>	<u>\$ 6,573,954</u>	<u>\$ 296,901</u>	<u>\$ 8,004,535</u>

See Notes to Financial Statements.

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**CITY OF RICHMOND, TEXAS**

Exhibit A-5

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

**For the Year Ended September 30, 2010**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 6,551,350
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(172,758)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	21,346
The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount represents the net effect of these differences in the treatment of long-term debt and related items, and consists of principal repayment on bonds and capital leases.	(4,163,649)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This adjustment reflects the net change in interest payable and accrued compensated absences.	<u>(42,162)</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u><u>\$ 2,194,127</u></u></b>

# CITY OF RICHMOND, TEXAS

Exhibit A-6

## STATEMENT OF NET ASSETS PROPRIETARY FUND

September 30, 2010

	<u>Business-type Activities -</u> <u>Enterprise Fund</u> <u>Water &amp; Sewer Fund</u>
<b><u>Assets</u></b>	
<b><u>Current Assets:</u></b>	
Cash and cash equivalents	\$ 6,035,054
Restricted cash and investments	576,337
<b><u>Receivables:</u></b>	
Accounts, net of allowance account	815,331
Due from other funds	1,000,000
<b>Total Current Assets</b>	<b>8,426,722</b>
<b><u>Noncurrent Assets:</u></b>	
Capital assets, net of accumulated depreciation:	
Land	832,109
Buildings	5,123,568
Improvements other than buildings	1,016,217
Machinery and equipment	209,741
Infrastructure	11,173,355
Construction in progress	4,806,909
<b>Total Noncurrent Assets</b>	<b>23,161,899</b>
<b>Total Assets</b>	<b>31,588,621</b>
<b><u>Liabilities</u></b>	
<b><u>Current Liabilities:</u></b>	
Accounts payable	313,853
Due to other funds	125,000
Payable from restricted assets:	
Deposits	419,096
Accrued interest payable	7,241
Certificates of obligation payable	150,000
<b>Total Current Liabilities</b>	<b>1,015,190</b>
<b><u>Noncurrent Liabilities:</u></b>	
Certificates of obligation payable	2,005,000
<b>Total Noncurrent Liabilities</b>	<b>2,005,000</b>
<b>Total Liabilities</b>	<b>3,020,190</b>
<b><u>Net Assets</u></b>	
Invested in capital assets, net of related debt	21,006,899
Restricted for debt service	150,000
Unrestricted	7,411,532
<b>Total Net Assets</b>	<b>\$ 28,568,431</b>

See Notes to Financial Statements.

**CITY OF RICHMOND, TEXAS**

Exhibit A-7

**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**

**For the Year Ended September 30, 2010**

	<b>Business-type Activities - Enterprise Fund</b>
	<b>Water &amp; Sewer Fund</b>
<b><u>Operating Revenues</u></b>	
Charges for services	\$ 6,681,028
<b>Total Operating Revenues</b>	<b>6,681,028</b>
<b><u>Operating Expenses</u></b>	
Cost of sales and services	3,178,078
Depreciation	814,514
<b>Total Operating Expenses</b>	<b>3,992,592</b>
<b>Operating Income</b>	<b>2,688,436</b>
<b><u>Non-Operating Revenues (Expenses)</u></b>	
Investment earnings	3,073
Interest expense	(94,789)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(91,716)</b>
<b>Income Before Transfers</b>	<b>2,596,720</b>
Transfers in	4,249,854
Transfers (out)	(7,201,713)
<b>Change in Net Assets</b>	<b>(355,139)</b>
Net assets, beginning	28,923,570
<b>Net Assets, Ending</b>	<b>\$ 28,568,431</b>

**CITY OF RICHMOND, TEXAS**

Exhibit A-8 (Page 1 of 2)

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**

**For the Year Ended September 30, 2010**

	<b><u>Business-type Activities -</u></b> <b><u>Enterprise Fund</u></b> <b><u>Water &amp; Sewer Fund</u></b>
<b><u>Cash Flows From Operating Activities</u></b>	
Receipts from customers and users	\$ 6,625,430
Disbursed for personnel services	(1,360,106)
Disbursed for goods and services to suppliers	(1,695,382)
<b>Net Cash Provided by Operating Activities</b>	<b>3,569,942</b>
<b><u>Cash Flows From Noncapital</u></b>	
<b><u>Financing Activities</u></b>	
Transfers from other funds	4,249,854
Transfers (to) other funds	(7,201,713)
<b>Net Cash (Used) by Noncapital</b>	
<b>Financing Activities</b>	<b>(2,951,859)</b>
<b><u>Cash Flows From Capital and Related</u></b>	
<b><u>Financing Activities</u></b>	
Principal paid on capital debt	(150,000)
Interest paid on capital debt	(95,218)
Acquisition and construction of capital assets	(4,439,382)
<b>Net Cash (Used) by Capital and Related</b>	
<b>Financing Activities</b>	<b>(4,684,600)</b>
<b><u>Cash Flows From Investing Activities</u></b>	
Interest received	3,073
<b>Net Cash Provided by Investing Activities</b>	<b>3,073</b>
<b>Net (Decrease) in Cash and Cash Equivalents</b>	<b>(4,063,444)</b>
Cash and cash equivalents, beginning	10,674,835
<b>Cash and Cash Equivalents, Ending</b>	<b>\$ 6,611,391</b>

See Notes to Financial Statements.

**CITY OF RICHMOND, TEXAS**

Exhibit A-8 (Page 2 of 2)

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**

**For the Year Ended September 30, 2010**

	<b><u>Business-type Activities -</u></b> <b><u>Enterprise Fund</u></b> <b><u>Water &amp; Sewer Fund</u></b>
<b>Reconciliation of Operating Income to</b>	
<b>Net Cash Provided by Operating Activities</b>	
Operating income	\$ 2,688,436
Adjustments to reconcile operating income to net cash used by operating activities	
Depreciation	814,514
(Increase) in accounts receivable	(55,598)
(Decrease) in accounts payable	(1,691)
Increase in due to other funds	125,000
(Decrease) in customer deposits	(719)
Total adjustments	<u>881,506</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 3,569,942</u>
<b>Breakdown of Restricted and Unrestricted Cash and Cash Equivalents:</b>	
Restricted for debt payments	\$ 576,337
Unrestricted	<u>6,035,054</u>
Total	<u>\$ 6,611,391</u>

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# **CITY OF RICHMOND, TEXAS**

Exhibit A-9

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Richmond, Texas (the City), was incorporated on June 5, 1837, by Act of the Senate and House of Representatives of the Republic of Texas. On July 30, 1913, the City adopted a Commission form of government.

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.

#### **A. Reporting Entity**

The City is an independent political subdivision of the State of Texas governed by an elected commission and a mayor and is considered a primary government. As required by U.S. generally accepted accounting principles, these financial statements have been prepared based on considerations regarding the potential for inclusion of component units, which are other entities or organizations that are financially accountable to the City. Blended component units, although legally separate entities, are, in substance, part of the government's operations, and as a result, data from these units are combined with data of the primary government. The City had no such blended component units. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize that they are legally separate from the primary government. Based on these considerations, the City's financial statements include the 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.

# **CITY OF RICHMOND, TEXAS**

Exhibit A-9

## **NOTES TO FINANCIAL STATEMENTS**

### **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 assets of the Corporation shall be conveyed to the City. The operations of the Corporation are presented as a governmental fund type.

#### **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 assets of the Education Corporation shall be conveyed to the City. The operations of the Education Corporation are presented as a governmental fund type.

Separately issued audited financial statements are not issued for the discretely presented component units. Unaudited financial statements may be obtained from the City's finance office.

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

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information about the City as a whole. These statements include all nonfiduciary 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 of 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 function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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.



# **CITY OF RICHMOND, TEXAS**

Exhibit A-9

## **NOTES TO FINANCIAL STATEMENTS**

In September 1993, the Governmental Accounting Standards Board issued Statement No. 29, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting" which are effective for the City's financial statements for the year ending September 30, 2005. This statement provides guidance on accounting and financial reporting for business-type and enterprise fund activities. The City has elected alternative number one (1) from those provided by this standard. This alternative method elects to apply all GASB pronouncements as well as FASB pronouncements that were issued after November 30, 1989.

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 a proprietary fund's ongoing operations. The principal sources of revenue of the Water & Sewer Fund are charges to customers for sales and services. Operating expenses include the costs of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### **C. Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded 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.

Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. 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 when 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 generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received by the government.

The government reports the following major governmental funds:

#### **General Fund**

The General Fund accounts for the resources used to finance the fundamental operations of the City. The principal sources of revenue of the General Fund are property taxes, sales and use

# **CITY OF RICHMOND, TEXAS**

Exhibit A-9

## **NOTES TO FINANCIAL STATEMENTS**

taxes, franchise taxes, fines and forfeitures, permits and fees, and sanitation. Expenditures are for general government, public safety and public works.

### **Debt Service Fund**

The Debt Service Fund accounts for the resources accumulated and payment made for principal and interest on long-term general obligation debt of governmental funds. The primary source of revenue for debt service is property taxes.

### **Capital Projects Fund**

The Capital Projects Fund is used to account for the expenditures of resources accumulated from the sale of bonds and related interest earnings for capital improvement projects.

The government reports the following major proprietary fund:

### **Water & Sewer Fund**

The Water & Sewer Fund accounts for the operations that provide water and wastewater utility services to the public. The services are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that costs (including depreciation) of providing goods or services to the general public will be financed or recovered primarily through user charges.

## **D. Financial Statement Presentation**

These financial statements include implementation of Governmental Accounting Standards Board (GASB) Statement No. 34 – Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments.

Certain of the significant changes in the Statement include the following:

- A Management’s Discussion and Analysis (MD&A) section providing an analysis of the City’s overall financial position and changes in financial position.
- Government-wide financial statements prepared using the accrual basis of accounting for all of the City’s governmental and business-type activities.
- Fund financial statements focusing on the major funds.

Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which include a statement of net assets and a statement of activities. It requires the reclassification of net assets into three components-invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors,

# **CITY OF RICHMOND, TEXAS**

Exhibit A-9

## **NOTES TO FINANCIAL STATEMENTS**

or laws or regulation of other governments or constraints imposed by law through contractual provisions or enabling legislation.

- Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

### **E. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. No encumbrances were outstanding at year-end.

### **F. Cash and Cash Equivalents**

Cash and cash equivalents include cash and temporary investments as disclosed in Note 2. These cash and investments are generally available for the City's disbursement needs and have a maturity of three months or less from the date of acquisition.

### **G. Receivables**

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

### **H. Inventories**

Inventories are stated at cost. The City uses the FIFO method of accounting for inventories. Inventories 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). No inventory was on hand at year-end.

### **I. Interfund Receivables and Payables**

During the course of operations, transactions occur between individual funds for specified purposes. These receivables and payables are, for the most part, eliminated from the government-wide Statement of Net Assets and are classified as "due from other funds" or "due to other funds" in the fund financial statements.

### **J. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure items, are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Infrastructure is not held to the \$5,000 limit; all infrastructure is capitalized regardless of cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

# **CITY OF RICHMOND, TEXAS**

Exhibit A-9

## **NOTES TO FINANCIAL STATEMENTS**

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<b><u>Asset Description</u></b>	<b><u>Estimated Useful Life</u></b>
Buildings	50 years
Building improvements	20 years
Public domain infrastructure	30 years
System infrastructure	30 years
Vehicles	5 years
Machinery and equipment	5 years

### **K. Compensated Employee 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.

### **L. Fund Equity**

Reserved equity balances represent those portions of fund balance not appropriate for expenditure or legally segregated for a specific future use. Unreserved fund balances represent available balances for the City's future use.

### **M. Reclassifications**

Certain reclassifications to prior year balances have been made to conform to current year presentation. Such reclassifications have had no effect on the excess of revenues over expenditures.

### **N. Date of Management's Review**

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through March 31, 2011, the date that the financial statements were available to be issued.

### **O. 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 and liabilities and disclosure of contingent assets and liabilities at the date of financial statements

# CITY OF RICHMOND, TEXAS

Exhibit A-9

## NOTES TO FINANCIAL STATEMENTS

and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

#### **A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental funds as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, interest payable, notes payable and accrued compensated absences, are not reported in the funds.”

The details of this \$10,761,017 difference are as follows:

Bonds payable	\$	9,676,779
Less: Deferred issuance costs		(207,979)
Accrued interest payable		46,557
Notes payable		773,022
Compensated absences - governmental funds		472,638
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	\$	<u>10,761,017</u>

#### **B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this \$172,758 difference are as follows:

Capital outlay	\$	716,701
Depreciation expense		<u>(889,459)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$	<u>(172,758)</u>

### NOTE 3 - DEPOSITS AND INVESTMENTS

The City's funds are required to be deposited and invested under the terms of a depository contract pursuant to state statutes. The depository bank deposits, for safekeeping and trust with the City's agent bank, approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis

# **CITY OF RICHMOND, TEXAS**

Exhibit A-9

## **NOTES TO FINANCIAL STATEMENTS**

during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") Insurance.

The Commission has adopted a written investment policy regarding the investment of its funds as defined by the Public Funds Investment Act (Chapter 2256 Texas Government Code). The investments of the City are in compliance with the Commission's investment policies. It is the City's policy to restrict its investments to direct obligations of the U.S. Government, commercial paper, fully collateralized certificates of deposit and other interest-bearing time and demand deposits, and other instruments and investments in public funds investment pools such as the Local Government Investment Cooperative (LOGIC) and Texas Local Government Investment Pool (TEXPOOL).

### **Cash and Cash Equivalents**

The City's cash and cash equivalents, including component units, consist of cash on hand, demand deposits.

The City's cash and cash equivalents at September 30, 2010, are shown below.

	<b>Carrying Amount</b>	<b>Fair Value</b>
Cash	\$ 19,581,525	\$ 19,581,525
<b>Total Cash and Cash Equivalents</b>	<b>\$ 19,581,525</b>	<b>\$ 19,581,525</b>

### **Custodial Credit Risk - Deposits**

For deposits, this is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. Collateral is required for all bank deposits at 102% of deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts. Collateral pledged to cover the City's deposits is required to be held in the City's name by the trust department of a bank other than the pledging bank (the City's agent). Collateral securities must bear a Baa-1 or better rating to qualify for use in securing uninsured depository balances. Deposits at year-end are representative of the types of deposits maintained by the City during the year.

The City's and its component units' deposits in banks at year-end were not entirely covered by federal depository insurance or by acceptable collateral held by the City's agent in the City's name in the amounts of \$301,789 and \$205,747, respectively.

**CITY OF RICHMOND, TEXAS**

Exhibit A-9

**NOTES TO FINANCIAL STATEMENTS**

**Restricted Cash**

As of September 30, 2010, the Enterprise Fund held restricted cash for the following purposes:

Special escrow	\$ 576,337
<b>Total</b>	<b>\$ 576,337</b>

**NOTE 4 - PROPERTY TAXES**

The City's property taxes are levied annually in October on the basis of the Appraisal District's assessed values as of January 1 of that calendar year. Appraised values are established by the Appraisal District at market value and assessed at 100% of appraised value. The City's property taxes are billed and collected by the Fort Bend County Tax Assessor/Collector. Such taxes are applicable to the fiscal year in which they are levied and become delinquent with an enforceable lien on property on February 1 of the subsequent calendar year.

Property taxes are levied for operations and based on rates adopted for the year of the levy. For the current year, the City levied property taxes on \$0.7865 per \$100 of assessed valuation. The resulting adjusted tax levy was \$3,112,883 on the total adjusted taxable valuation of \$395,789,294 for the 2009 tax year.

Property taxes receivable, at September 30, 2010, consists of the following:

<u>Tax Year</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
2009	\$ 72,195	\$ 35,142	\$ 107,337
2008	41,145	14,975	56,120
2007	33,585	14,420	48,005
2006	17,536	8,662	26,198
2005	14,032	8,112	22,144
2004 and prior	105,090	30,799	135,889
	<u>\$ 283,583</u>	<u>\$ 112,110</u>	<u>\$ 395,693</u>

**NOTE 5 - RECEIVABLES**

Receivables as of year-end for the government's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

**CITY OF RICHMOND, TEXAS**

Exhibit A-9

**NOTES TO FINANCIAL STATEMENTS**

**Primary Government:**

	<b>Governmental Activities</b>			<b>Business-type Activities</b>	<b>Total</b>
	<b>General</b>	<b>Debt Service</b>	<b>Nonmajor and Other Funds</b>		
Receivables:					
Taxes	\$ 880,086	\$ 112,110	\$	\$	\$ 992,196
Accounts	228,620		17,655	815,331	1,061,606
Intergovernmental	34,516		140,647		175,163
Gross receivables	1,143,222	112,110	158,302	815,331	2,228,965
Less: allowance for uncollectibles					
<b>Net Total Receivables</b>	<b>\$ 1,143,222</b>	<b>\$ 112,110</b>	<b>\$ 158,302</b>	<b>\$ 815,331</b>	<b>\$ 2,228,965</b>

**Component Units:**

	<b>Development Corporation of Richmond</b>
Receivables	
Taxes	\$ 159,841
<b>Total</b>	<b>\$ 159,841</b>

All of the City and Component Units' receivables are considered collectible.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<b>Unavailable</b>	<b>Unearned</b>
Delinquent property taxes receivable - General Fund	\$ 283,583	\$
Delinquent property taxes receivable - Debt Service Fund	112,110	
Grant monies prior to meeting all eligibility requirements		870
<b>Total Deferred Revenue for Governmental Funds</b>	<b>\$ 395,693</b>	<b>\$ 870</b>



# CITY OF RICHMOND, TEXAS

Exhibit A-9

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended September 30, 2010:

	<u>Balance Oct. 1, 2009</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Balance Sept. 30, 2010</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,908,751	\$ 87,843	\$ (6,365)	\$ 1,908,751
Construction in progress	306,991	87,843	(6,365)	388,469
Total capital assets not being depreciated	<u>2,215,742</u>	<u>87,843</u>	<u>(6,365)</u>	<u>2,297,220</u>
Capital assets being depreciated:				
Buildings	5,292,086	90,000		5,382,086
Improvements other than buildings	2,276,720	32,865		2,309,585
Infrastructure	6,434,709		(10,260)	6,424,449
Machinery and equipment	4,834,299	515,064	(23,739)	5,325,624
Total capital assets being depreciated	<u>18,837,814</u>	<u>637,929</u>	<u>(33,999)</u>	<u>19,441,744</u>
Less accumulated depreciation for:				
Buildings	(967,461)	(113,703)		(1,081,164)
Improvements other than buildings	(687,949)	(88,357)		(776,306)
Infrastructure	(4,334,702)	(214,791)	7,554	(4,541,939)
Machinery and equipment	(3,046,180)	(472,608)	23,739	(3,495,049)
Total accumulated depreciation	<u>(9,036,292)</u>	<u>(889,459)</u>	<u>31,293</u>	<u>(9,894,458)</u>
Total capital assets being depreciated, net	<u>9,801,522</u>	<u>(251,530)</u>	<u>(2,706)</u>	<u>9,547,286</u>
Governmental activities capital assets, net	<u>\$ 12,017,264</u>	<u>\$ (163,687)</u>	<u>\$ (9,071)</u>	<u>\$ 11,844,506</u>
<b>Business-type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 832,109	\$ 4,295,847	\$ (1,510)	\$ 832,109
Construction in progress	512,572	4,295,847	(1,510)	4,806,909
Total capital assets not being depreciated	<u>1,344,681</u>	<u>4,295,847</u>	<u>(1,510)</u>	<u>5,639,018</u>
Capital assets being depreciated:				
Buildings	8,665,357			8,665,357
Improvements other than buildings	1,123,840	74,198		1,198,038
Infrastructure	30,602,569			30,602,569
Machinery and equipment	894,473	70,847	(5,456)	959,864
Total capital assets being depreciated	<u>41,286,239</u>	<u>145,045</u>	<u>(5,456)</u>	<u>41,425,828</u>
Less accumulated depreciation for:				
Buildings	(3,365,810)	(175,979)		(3,541,789)
Improvements other than buildings	(136,128)	(45,693)		(181,821)
Infrastructure	(18,948,785)	(480,429)		(19,429,214)
Machinery and equipment	(643,166)	(112,413)	5,456	(750,123)
Total accumulated depreciation	<u>(23,093,889)</u>	<u>(814,514)</u>	<u>5,456</u>	<u>(23,902,947)</u>
Total capital assets being depreciated, net	<u>18,192,350</u>	<u>(669,469)</u>		<u>17,522,881</u>
Business-type activities capital assets, net	<u>\$ 19,537,031</u>	<u>\$ 3,626,378</u>	<u>\$ (1,510)</u>	<u>\$ 23,161,899</u>

**CITY OF RICHMOND, TEXAS**

Exhibit A-9

**NOTES TO FINANCIAL STATEMENTS**

Construction in progress for the various projects and remaining commitments under these construction contracts as of September 30, 2010, are as follows:

<b><u>Project Description</u></b>	<b><u>Total In Progress</u></b>	<b><u>Remaining Commitment</u></b>
<b>Governmental Activities:</b>		
Fire department main station	\$ 24,084	\$ 385,800
FM 2218 to FM 762 TXDOT project	40,834	188,103
90A overpass TXDOT project	26,000	
FM 3155 to Lane Drive TXDOT project		880,940
Helping Hands	220,408	3,256
FM 359 Ext. of water/sewer lines	23,843	191,807
Proposed outfall channel FM 1640-TXDOT	22,300	3,700
CDBG Phase I N. Rich. sanitary sewer	31,000	3,500
<b>Totals</b>	<b><u>\$ 388,469</u></b>	<b><u>\$ 1,657,106</u></b>
<b>Business-type Activities:</b>		
Lamar Drive phase II	\$ 549,087	\$ 80,113
Lamar Drive engineering - paving, drainage and utility relocation	2,309,426	1,041,074
Regional WWTP expansion	1,859,958	3,250,410
Warehouse for water department	88,438	411,562
<b>Totals</b>	<b><u>\$ 4,806,909</u></b>	<b><u>\$ 4,783,159</u></b>

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

<b>Governmental Activities:</b>		
General government	\$	44,192
Police		182,091
Fire		267,194
Public works		304,722
Parks and recreation		91,260
<b>Total Depreciation Expense-Governmental Activities</b>	<b><u>\$</u></b>	<b><u>889,459</u></b>
<b>Business-type Activities:</b>		
Water & sewer	\$	814,514

**NOTE 7 - LONG-TERM DEBT**

**General Obligation Bonds and Certificates of Obligation**

The City issues general obligation bonds and certificates of obligation to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and certificates of

**CITY OF RICHMOND, TEXAS**

Exhibit A-9

**NOTES TO FINANCIAL STATEMENTS**

obligation have been issued for governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

The following is a summary of general obligation bonds and certificates of obligation outstanding as of September 30, 2010:

<u>Series</u>	<u>Original Issue</u>	<u>Matures</u>	<u>Interest Rate (%)</u>	<u>Debt Outstanding</u>
<b>Governmental Activities:</b>				
<b>General Obligation Bonds</b>				
Series 2009 general obligation bonds	\$ 4,000,000	2029	3.0-4.25	\$ 4,000,000
Series 2010 general obligation refunding bonds	5,040,000	2020	2.0-4.0	5,040,000
Series 2004 general obligation bonds	530,000	2024	4.625-5.25	<u>380,000</u>
<b>Total Governmental Activities</b>				<u>\$ 9,420,000</u>
<b>Business-type Activities:</b>				
Series 2004 certificates of obligation	\$ 3,055,000	2024	3.5-5.5	<u>\$ 2,155,000</u>

During the 2010 fiscal year, the City refunded the General Obligation Bonds, Series 1999, the General Obligation Bonds, Series II 1999 and the Certificates of Obligation, Series 1997 with the General Obligation Refunding Bonds, Series 2010. This was a current refunding issue which reduced the City's total debt service payments by \$301,068 and resulted in an economic gain of \$277,598.

The annual requirements to amortize all primary government general obligation bonds and certificates of obligation outstanding as of September 30, 2010 are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 780,000	\$ 346,303	\$ 150,000	\$ 89,892
2012	780,000	340,266	150,000	84,380
2013	570,000	341,429	150,000	78,643
2014	570,000	263,791	155,000	72,617
2015	590,000	247,944	155,000	66,340
2016-2020	3,270,000	911,224	775,000	232,151
2021-2025	1,765,000	400,354	620,000	58,822
2026-2029	1,095,000	95,360		
	<u>\$ 9,420,000</u>	<u>\$ 2,946,671</u>	<u>\$ 2,155,000</u>	<u>\$ 682,845</u>

**CITY OF RICHMOND, TEXAS**

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**NOTES TO FINANCIAL STATEMENTS**

The following is a summary of changes in the City’s total governmental and business-type long-term liabilities and component unit liabilities for the year ended September 30, 2010.

	<b>Balance Oct. 1, 2009</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance Sept. 30, 2010</b>	<b>Amounts Due within One Year</b>
<b>Governmental Activities:</b>					
Bonds payable:					
General obligation bonds	\$ 5,560,000	\$ 9,040,000	\$ (5,180,000)	\$ 9,420,000	\$ 780,000
Bond issuance premiums		275,462	(18,683)	256,779	18,683
Total bonds payable	<u>5,560,000</u>	<u>9,315,462</u>	<u>(5,198,683)</u>	<u>9,676,779</u>	<u>798,683</u>
Capital leases	518,173	400,000	(145,151)	773,022	101,337
Compensated absences	455,208	52,783	(35,353)	472,638	47,264
<b>Total Governmental     Activities</b>	<u>\$ 6,533,381</u>	<u>\$ 9,768,245</u>	<u>\$ (5,379,187)</u>	<u>\$ 10,922,439</u>	<u>\$ 947,284</u>
<b>Business-type Activities:</b>					
Bonds payable:					
Certificates of obligation	\$ 2,305,000	\$	\$ (150,000)	\$ 2,155,000	\$ 150,000
<b>Total Business-type     Activities</b>	<u>\$ 2,305,000</u>	<u>\$</u>	<u>\$ (150,000)</u>	<u>\$ 2,155,000</u>	<u>\$ 150,000</u>
<b>Component Units:</b>					
Certificates of obligation	\$ 600,000	\$	\$ (600,000)	\$	\$

Long-term liabilities applicable to the City’s governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

For governmental activities, compensated absences are generally liquidated by the General Fund.

**Federal Tax Compliance (Arbitrage) for Long-Term Debt**

In accordance with provisions of Section 148 of the Internal Revenue Code of 1986, as amended, (the “Code”) the City’s long-term debt obligations must meet certain minimum criteria to be considered and continue to be considered “tax exempt.” This “tax exempt” status means that interest income earned by purchasers of the City’s long-term debt instruments is not subject to federal income taxes. Related Treasury Regulations promulgated under section 148 of the Code generally provide that the determination of whether these obligations are tax exempt is made as of the date such obligations are issued based on a reasonable expectations regarding the use of the proceeds of the bonds issued. Long-term debt that does not meet and continue to meet the minimum criteria of Section 148 of the Code and the related Treasury Regulations described above are considered “arbitrage bonds” and are not considered “tax exempt” as described above.

**CITY OF RICHMOND, TEXAS**

Exhibit A-9

**NOTES TO FINANCIAL STATEMENTS**

**Rebate**

Obligations will become arbitrage bonds (as described above) if certain arbitrage profits are not paid to the federal government as rebate under section 148(f) of the Code. The City’s obligations to calculate and make rebate payments (if any) will continue as long as there are gross proceeds allocable to outstanding debt issues.

**Unexpended Debt Issuance Proceeds (Yield Restriction Requirements)**

Section 148 of the Code also provides that in order for debt not to be considered arbitrage bonds (as described above), proceeds of such debt must be invested at a yield that is not materially higher than the yield on the debt issued starting on the third anniversary of the issue date of such debt. Accordingly, any unexpended proceeds of debt issued by the City that remain unexpended more than three years after such debt was issued should be yield restricted. The yield restriction may be accomplished by making yield reduction payments pursuant to Treas. Reg. Section 1.148-5(c). The City presently has unexpended proceeds from certain debt issues that require yield restriction as described above. The City is currently in compliance with these yield restriction requirements and does not anticipate associated significant noncompliance issues. The City is continuing to proceed with reasonable diligence to expend any remaining unexpended debt issuance proceeds on qualifying projects or to retire related debt issues still outstanding.

**Capital Lease Obligations**

The City has entered into capital lease agreements in order to purchase a fire truck and a fire station. The capital lease obligations are paid out of the General Fund.

The assets acquired through capital leases are as follows:

	<b><u>Governmental Activities</u></b>
Assets:	
Buildings	\$ 500,000
Machinery and equipment	400,000
Less: accumulated depreciation	(139,267)
Total	<u>\$ 760,733</u>

**CITY OF RICHMOND, TEXAS**

Exhibit A-9

**NOTES TO FINANCIAL STATEMENTS**

Following is a summary of future lease payments due on these acquisitions:

<b>Fiscal Year</b>	<b>Governmental Activities</b>
2011	\$ 142,540
2012	142,541
2013	142,540
2014	142,541
2015	142,540
2016-2017	205,453
Total minimum lease payments	918,155
Less interest portion	(145,133)
<b>Present Value of Minimum Lease Payments</b>	<b>\$ 773,022</b>

**NOTE 8 - EMPLOYEE RETIREMENT SYSTEM**

**Texas Municipal Retirement System**

**Plan Description**

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS's website at [www.TMRS.com](http://www.TMRS.com).

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<b><u>Plan Year 2009</u></b>	<b><u>Plan Year 2010</u></b>
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase	70% of CPI Repeating	70% of CPI Repeating

# CITY OF RICHMOND, TEXAS

Exhibit A-9

## NOTES TO FINANCIAL STATEMENTS

### Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contributions rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to TMRS at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

Three year trend information is presented below:

	<b>2010</b>	<b>2009</b>	<b>2008</b>
Annual Required Contributions(ARC)	\$ 978,572	\$ 822,636	\$ 661,961
Percentage of ARC Contributed	100%	100%	100%
Net Pension Obligation at the End of Period	\$ 0	\$ 0	\$ 0

Because the actuary determines contribution rates on an annual basis and the City pays the calculated rate each month, the City will always have a net pension obligation (NPO) of zero at the beginning and end of the period, and the annually required contributions (ARC) will always equal contributions made.

The required contribution rates for the 2010 fiscal year were determined as part of the December 31, 2008 and 2007 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2009, also follows:

	<b>Valuation Date</b>		
	<b>12/31/07</b>	<b>12/31/08</b>	<b>12/31/09</b>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	30 Years; Closed Period	29 Years; Closed Period	28 Years; Closed Period
Asset Valuation Method	Amortized Cost	Amortized Cost	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return *	7.0%	7.5%	7.5%
Projected Salary Increases *	Varies by Age and Service	Varies by Age and Service	Varies by Age and Service
* - Includes Inflation at Cost-of-Living Adjustments	3.00%	3.00%	3.00%
	2.1%	2.1%	2.1%

**CITY OF RICHMOND, TEXAS**

Exhibit A-9

**NOTES TO FINANCIAL STATEMENTS**

**Funded Status and Funding Progress**

The funded status as of December 31, 2009, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Percentage Funded	Unfunded AAL (UAAL)	Annual Covered Payroll	UAAL As A Percentage of Covered Payroll
12/31/09	\$14,225,103	\$ 19,881,416	71.5%	\$ 5,656,313	\$ 6,269,945	90.2%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**Supplemental Death Benefits Fund**

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the 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.

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.

<b>Schedule of Contribution Rates</b>			
<b>Plan/Calendar Year</b>	<b>Annual Required Contribution (Rate)</b>	<b>Actual Contribution Made (Rate)</b>	<b>Percentage of ARC Contributed</b>
2008	0.24 %	0.24 %	100.0 %
2009	0.23 %	0.23 %	100.0 %
2010	0.18 %	0.18 %	100.0 %



**CITY OF RICHMOND, TEXAS**

Exhibit A-9

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The following is a summary of interfund balances as of September 30, 2010:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>
<b>Due to/from primary government:</b>		
Water & Sewer Fund	General Fund	\$ 1,000,000
General Fund	Debt Service Fund	10,221
General Fund	Water & Sewer Fund	125,000
Debt Service	General Fund	65,762
		<u>\$ 1,200,983</u>

Amounts booked as due to/from are considered to be temporary loans and will be repaid during the following fiscal year.

For the year ended September 30, 2010, interfund transfers consisted of the following:

<u>Transfers Out</u>	<u>Transfers In</u>			<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Water &amp; Sewer Fund</u>	
Water & Sewer Fund	\$ 1,500,000	\$ 5,701,713	\$	\$ 7,201,713
Capital Projects Fund			4,249,854	4,249,854
<b>Total Transfers Out</b>	<u>\$ 1,500,000</u>	<u>\$ 5,701,713</u>	<u>\$ 4,249,854</u>	<u>\$ 11,451,567</u>

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

**NOTE 10 - RESERVED FUND BALANCE**

The City has reserved Special Revenue Fund equity in the amount of \$156,880 at September 30, 2010, for general government and parks and recreation purposes.

The City has reserved its Debt Service Fund equity at September 30, 2010, for retirement of long-term indebtedness. This equity totals \$1,090,314.

**NOTE 11 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs. The City has not significantly reduced insurance coverage or had settlements, which exceeded coverage amounts for the past three fiscal years.

The City had no material unpaid claims liabilities at the end of the current or prior year.

# **CITY OF RICHMOND, TEXAS**

Exhibit A-9

## **NOTES TO FINANCIAL STATEMENTS**

### **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 \$203,281 to Pecan Grove MUD and \$106,287 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 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 Council and one Director is appointed jointly by a resolution of the Richmond City Commission and the Rosenberg City Council.

### **NOTE 14 - DEFICIT NET EQUITY**

As of September 30, 2010, the Municipal Court Technology Fund has a deficit fund balance of \$10,067. This deficit can be attributed to the purchase of electronic ticket writers for the police department. The City plans to make an operating transfer to this fund in order to eliminate this deficit.

### **NOTE 15 - RESTATEMENT OF BEGINNING FUND BALANCE/NET ASSETS**

During the 2010 fiscal year, the City determined that a portion of its accounts receivable in the General Fund was uncollectible, resulting in a decrease to beginning fund balance in the amount of \$62,794. In addition, during the 2010 fiscal year, the City made adjustments to its capital asset records resulting in an increase of \$403,476 to beginning capital asset amounts. The net effect of these adjustments was an increase of \$340,682 in beginning net assets of governmental activities.

**CITY OF RICHMOND, TEXAS**

**Exhibit A-9**

**NOTES TO FINANCIAL STATEMENTS**

During the 2010 fiscal year, the City determined that a portion of its accounts receivable in the Water and Sewer Fund was uncollectible, resulting in a decrease to beginning net assets in the amount of \$212,876. This adjustment also decreased beginning business-type governmental net assets by \$212,876.

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**REQUIRED SUPPLEMENTARY INFORMATION**  
**OTHER THAN MANAGEMENT'S**  
**DISCUSSION AND ANALYSIS**

# CITY OF RICHMOND, TEXAS

Exhibit B-1

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND

Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Taxes:				
Property	\$ 2,096,878	\$ 2,096,878	\$ 2,114,946	\$ 18,068
Sales	3,050,000	3,050,000	2,857,057	(192,943)
Franchise	715,000	715,000	783,267	68,267
Licenses and permits	250,000	250,000	121,403	(128,597)
Fines and forfeitures	376,050	376,050	285,984	(90,066)
Fees and charges for services	2,400,000	2,400,000	2,279,897	(120,103)
Intergovernmental	131,596	131,596	57,976	(73,620)
Investment earnings	80,000	80,000	12,718	(67,282)
Other	300,000	300,000	132,661	(167,339)
<b>Total Revenues</b>	<u>9,399,524</u>	<u>9,399,524</u>	<u>8,645,909</u>	<u>(753,615)</u>
<b><u>Expenditures</u></b>				
<b>Current:</b>				
General government	1,387,108	1,512,108	1,454,745	57,363
Public safety	6,232,474	6,232,474	6,351,439	(118,965)
Public works	2,530,231	2,530,231	2,237,085	293,146
Parks and recreation	434,219	434,219	379,060	55,159
<b>Debt Service:</b>				
Principal retirement			100,891	(100,891)
Interest and fiscal charges	700	700	3,927	(3,227)
<b>Total Expenditures</b>	<u>10,584,732</u>	<u>10,709,732</u>	<u>10,527,147</u>	<u>182,585</u>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	(1,185,208)	(1,310,208)	(1,881,238)	(571,030)
<b><u>Other Financing Sources</u></b>				
Capital lease			400,000	400,000
Transfers from other funds	1,250,000	1,500,000	1,500,000	
<b>Total Other Financing Sources</b>	<u>1,250,000</u>	<u>1,500,000</u>	<u>1,900,000</u>	<u>400,000</u>
<b>Net Change in Fund Balance</b>	64,792	189,792	18,762	(171,030)
Fund balance - beginning	24,604	24,604	24,604	
<b>Fund Balance - Ending</b>	<u>\$ 89,396</u>	<u>\$ 214,396</u>	<u>\$ 43,366</u>	<u>\$ (171,030)</u>

# **CITY OF RICHMOND, TEXAS**

Exhibit B-2

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

### **A. Budgets and Budgetary Accounting**

Annual appropriated budgets are adopted for the General and Debt Service Funds on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

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.

Management has the authority to transfer available funds allocated by the budget from one function or activity to another function or activity within the same department.

For the year ended September 30, 2010, fire department and debt service expenditures in the General Fund exceeded budgetary appropriations by \$278,672 and \$104,118, respectively. These expenditures in excess of appropriations were funded by appropriations in excess of expenditures in other departments.

In cooperation with the department heads of the City, the City Manager and Director of Finance prepare an annual budget for the General and Debt Service Funds for the ensuing fiscal year, in a form and style as deemed desirable by Commission. The budget, as adopted, must set forth the appropriations for services, functions, and activities of the various City departments and agencies, and shall meet all fund requirements provided by law and required by applicable bond covenants.

# CITY OF RICHMOND, TEXAS

Exhibit B-3

## SCHEDULE OF FUNDING PROGRESS - TEXAS MUNICIPAL RETIREMENT SYSTEM

The City's annual covered payroll and pension costs are actuarially valued on a calendar year basis. Because the City makes all the annually required contributions, no net pension obligation (NPO) exists. The information presented below represents the City's Schedule of Funding Progress.

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Plan Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Percentage Funded</b>	<b>Unfunded AAL (UAAL)</b>	<b>Annual Covered Payroll</b>	<b>UAAL As A Percentage of Covered Payroll</b>
12/31/2007 *	\$ 12,954,882	\$ 17,521,261	73.9%	\$ 4,566,379	\$ 5,279,732	86.5%
12/31/2008	13,547,806	18,724,322	72.4%	5,176,516	5,885,710	88.0%
12/31/2009	14,225,103	19,881,416	71.5%	5,656,313	6,269,945	90.2%

\* - New actuarial cost method and assumptions were adopted by the TMRS Board of Trustees at their December 2007 meeting, to be effective for the 12/31/2007 valuation.



**COMBINING AND INDIVIDUAL FUND**  
**STATEMENTS AND SCHEDULES**

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## **NON-MAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

These special revenue funds are used to account for specific revenues that are legally restricted for particular purposes.

**Community Development Block Grant (CDBG) Fund** - This fund is used to account for 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.

**Festivals Fund** - This fund accounts for the receipt and disbursement of monies for festival within the City.

**Park Improvement Fund** - This fund accounts for the intergovernmental revenues and expenditures related to park improvements.

**State Narcotics Fund** - This fund is used to account for receipts and disbursements from state seizures.

**Federal Narcotics Fund** - This fund is used to account for receipts and disbursements from federal seizures.

**Municipal Court Building Security Fund** - This fund is used to account for building security court fee assessments. Expenditures are made solely for building security purposes.

**Municipal Court Technology Fund** - This fund is used to account for technology court fee assessments. Expenditures are made solely for court technology purposes.

### **CAPITAL PROJECTS FUNDS**

These capital projects funds are used to account for financial resources to be used for the acquisition and construction of major capital facilities and are financed principally by capital grants and bond proceeds.

**Ransom Road Substation Fund** - This fund is used to account for the construction of a fire substation located on Ransom Road.

**Highway 359 Substation Fund** - This fund is used to account for the construction of a fire substation located on Highway 359.

**CITY OF RICHMOND, TEXAS**

Exhibit C-1

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**

**September 30, 2010**

	<b><u>Nonmajor Special Revenue Funds</u></b>	<b><u>Nonmajor Capital Projects Funds</u></b>	<b><u>Total Non-major Governmental Funds</u></b>
<b><u>Assets</u></b>			
Cash	\$ 143,404	\$ 150,088	\$ 293,492
Receivables:			
Accounts	17,655		17,655
Intergovernmental	140,647		140,647
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Assets</b>	<b><u>\$ 301,706</u></b>	<b><u>\$ 150,088</u></b>	<b><u>\$ 451,794</u></b>
<b><u>Liabilities and Fund Balances</u></b>			
<b><u>Liabilities</u></b>			
Accounts payable	\$ 154,023	\$	\$ 154,023
Deferred revenue	870		870
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Liabilities</b>	<b><u>154,893</u></b>	<b><u>                    </u></b>	<b><u>154,893</u></b>
<b><u>Fund Balances</u></b>			
<b>Reserved for:</b>			
General government	118,614		118,614
Parks and recreation	38,266		38,266
<b>Unreserved</b>	<u>(10,067)</u>	<u>150,088</u>	<u>140,021</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Fund Balances</b>	<b><u>146,813</u></b>	<b><u>150,088</u></b>	<b><u>296,901</u></b>
<b>Total Liabilities and         Fund Balances</b>	<b><u>\$ 301,706</u></b>	<b><u>\$ 150,088</u></b>	<b><u>\$ 451,794</u></b>

**CITY OF RICHMOND, TEXAS**

Exhibit C-2

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

**Year Ended September 30, 2010**

	<b><u>Nonmajor Special Revenue Funds</u></b>	<b><u>Nonmajor Capital Projects Funds</u></b>	<b><u>Total Non-major Governmental Funds</u></b>
<b><u>Revenues</u></b>			
Fines and forfeitures	\$ 10,053	\$	\$ 10,053
Intergovernmental	170,434		170,434
Investment earnings	167	201	368
Other	1,670		1,670
<b>Total Revenues</b>	<b><u>182,324</u></b>	<b><u>201</u></b>	<b><u>182,525</u></b>
<b><u>Expenditures</u></b>			
<b>Current:</b>			
General government	169,977		169,977
Public safety	3,461		3,461
<b>Capital Outlay</b>		31,455	31,455
<b>Total Expenditures</b>	<b><u>173,438</u></b>	<b><u>31,455</u></b>	<b><u>204,893</u></b>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	<b><u>8,886</u></b>	<b><u>(31,254)</u></b>	<b><u>(22,368)</u></b>
<b>Net Change in Fund Balance</b>	<b>8,886</b>	<b>(31,254)</b>	<b>(22,368)</b>
Fund Balances, beginning of year	<u>137,927</u>	<u>181,342</u>	<u>319,269</u>
<b>Fund Balances, End of Year</b>	<b><u>\$ 146,813</u></b>	<b><u>\$ 150,088</u></b>	<b><u>\$ 296,901</u></b>

**CITY OF RICHMOND, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**

**September 30, 2010**

	<b>Community Development Block Grant Fund</b>	<b>TCLEOSE Fund</b>	<b>Festivals Fund</b>	<b>Park Improvement Fund</b>
<b><u>Assets</u></b>	<b><u>Fund</u></b>	<b><u>Fund</u></b>	<b><u>Fund</u></b>	<b><u>Fund</u></b>
Cash	\$	\$ 1,638	\$ 700	\$ 38,266
Receivables:				
Accounts	17,655			
Intergovernmental	140,647			
	<b><u>158,302</u></b>	<b><u>1,638</u></b>	<b><u>700</u></b>	<b><u>38,266</u></b>
<b>Total Assets</b>				
	<b><u>\$ 158,302</u></b>	<b><u>\$ 1,638</u></b>	<b><u>\$ 700</u></b>	<b><u>\$ 38,266</u></b>
<b><u>Liabilities and Fund Balances</u></b>				
<b><u>Liabilities</u></b>				
Accounts payable	\$ 142,977	\$ 630	\$	\$
Deferred revenue	870			
	<b><u>143,847</u></b>	<b><u>630</u></b>		
<b>Total Liabilities</b>				
	<b><u>143,847</u></b>	<b><u>630</u></b>		
<b><u>Fund Balances</u></b>				
<b>Reserved for:</b>				
General government	14,455	1,008	700	
Parks and recreation				38,266
<b>Unreserved</b>				
	<b><u>14,455</u></b>	<b><u>1,008</u></b>	<b><u>700</u></b>	<b><u>38,266</u></b>
<b>Total Fund Balances</b>				
	<b><u>14,455</u></b>	<b><u>1,008</u></b>	<b><u>700</u></b>	<b><u>38,266</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 158,302</u></b>	<b><u>\$ 1,638</u></b>	<b><u>\$ 700</u></b>	<b><u>\$ 38,266</u></b>

Exhibit C-3

<b>State Narcotics Fund</b>	<b>Federal Narcotics Fund</b>	<b>Municipal Court Building Security Fund</b>	<b>Municipal Court Technology Fund</b>	<b>Total Non-major Special Revenue Funds</b>
\$ 35,421	\$ 9,215	\$ 58,164	\$	\$ 143,404
				17,655
				140,647
<u>\$ 35,421</u>	<u>\$ 9,215</u>	<u>\$ 58,164</u>	<u>\$</u>	<u>\$ 301,706</u>
\$ 349	\$	\$	\$ 10,067	\$ 154,023
				870
<u>349</u>			<u>10,067</u>	<u>154,893</u>
35,072	9,215	58,164		118,614
				38,266
			(10,067)	(10,067)
<u>35,072</u>	<u>9,215</u>	<u>58,164</u>	<u>(10,067)</u>	<u>146,813</u>
<u>\$ 35,421</u>	<u>\$ 9,215</u>	<u>\$ 58,164</u>	<u>\$</u>	<u>\$ 301,706</u>

**CITY OF RICHMOND, TEXAS**

**COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS**

**Year Ended September 30, 2010**

	<b>Community Development Block Grant Fund</b>	<b>TCLEOSE Fund</b>	<b>Festivals Fund</b>	<b>Park Improvement Fund</b>
<b><u>Revenues</u></b>				
Fines and forfeitures	\$	\$	\$	\$
Intergovernmental revenue	166,777	3,657		
Investment earnings			2	78
Other				
<b>Total Revenues</b>	<u>166,777</u>	<u>3,657</u>	<u>2</u>	<u>78</u>
<b><u>Expenditures</u></b>				
<b>Current:</b>				
General government	169,977			
Public safety		3,461		
<b>Total Expenditures</b>	<u>169,977</u>	<u>3,461</u>		
<b>Excess (Deficiency) Revenues Over (Under) Expenditures</b>	<u>(3,200)</u>	<u>196</u>	<u>2</u>	<u>78</u>
<b>Net Change in Fund Balance</b>	(3,200)	196	2	78
Fund Balances, beginning of year	<u>17,655</u>	<u>812</u>	<u>698</u>	<u>38,188</u>
<b>Fund Balances, End of Year</b>	<u>\$ 14,455</u>	<u>\$ 1,008</u>	<u>\$ 700</u>	<u>\$ 38,266</u>



<b>State Narcotics Fund</b>	<b>Federal Narcotics Fund</b>	<b>Municipal Court Building Security Fund</b>	<b>Municipal Court Technology Fund</b>	<b>Total Non-major Special Revenue Funds</b>
\$	\$	\$ 4,312	\$ 5,741	\$ 10,053
74	13			170,434
1,321	349			167
<u>1,395</u>	<u>362</u>	<u>4,312</u>	<u>5,741</u>	<u>1,670</u>
				<u>182,324</u>
				169,977
				<u>3,461</u>
				<u>173,438</u>
<u>1,395</u>	<u>362</u>	<u>4,312</u>	<u>5,741</u>	<u>8,886</u>
1,395	362	4,312	5,741	8,886
<u>33,677</u>	<u>8,853</u>	<u>53,852</u>	<u>(15,808)</u>	<u>137,927</u>
<u>\$ 35,072</u>	<u>\$ 9,215</u>	<u>\$ 58,164</u>	<u>\$ (10,067)</u>	<u>\$ 146,813</u>

**CITY OF RICHMOND, TEXAS**

Exhibit C-5

**COMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECTS FUNDS**

**September 30, 2010**

	<b><u>Ransom Road Substation Fund</u></b>	<b><u>Highway 359 Substation Fund</u></b>	<b><u>Total Non-major Capital Projects Funds</u></b>
<b><u>Assets</u></b>			
Cash	\$ 80,351	\$ 69,737	\$ 150,088
<b>Total Assets</b>	<b>\$ 80,351</b>	<b>\$ 69,737</b>	<b>\$ 150,088</b>
<b><u>Liabilities and Fund Balances</u></b>			
<b><u>Liabilities</u></b>			
Accounts payable	\$	\$	\$
<b>Total Liabilities</b>			
<b><u>Fund Balances</u></b>			
Unreserved	80,351	69,737	150,088
<b>Total Fund Balances</b>	<b>80,351</b>	<b>69,737</b>	<b>150,088</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 80,351</b>	<b>\$ 69,737</b>	<b>\$ 150,088</b>

**CITY OF RICHMOND, TEXAS**

Exhibit C-6

**COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
NONMAJOR CAPITAL PROJECTS FUNDS**

**Year Ended September 30, 2010**

	<b>Ransom Road Substation Fund</b>	<b>Highway 359 Substation Fund</b>	<b>Total Non-major Capital Projects Funds</b>
<b><u>Revenues</u></b>			
Investment earnings	\$ 165	\$ 36	\$ 201
<b>Total Revenues</b>	<u>165</u>	<u>36</u>	<u>201</u>
<b><u>Expenditures</u></b>			
Capital outlay		31,455	31,455
<b>Total Expenditures</b>		<u>31,455</u>	<u>31,455</u>
<b>Net Change in Fund Balances</b>	165	(31,419)	(31,254)
Fund Balances, beginning of year	<u>80,186</u>	<u>101,156</u>	<u>181,342</u>
<b>Fund Balances, End of Year</b>	<u>\$ 80,351</u>	<u>\$ 69,737</u>	<u>\$ 150,088</u>

**CITY OF RICHMOND, TEXAS**

Exhibit C-7

**COMPARATIVE BALANCE SHEETS**  
**GENERAL FUND**

**September 30, 2010 and 2009**

	<b><u>2010</u></b>	<b><u>2009</u></b>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 869,965	\$ 820,757
Receivables:		
Taxes	880,086	893,559
Accounts	228,620	226,858
Intergovernmental	34,516	
Due from other funds	<u>135,221</u>	<u>183,850</u>
<b>Total Assets</b>	<b><u><u>\$ 2,148,408</u></u></b>	<b><u><u>\$ 2,125,024</u></u></b>
 <b><u>Liabilities and Equity</u></b>		
<b><u>Liabilities</u></b>		
Accounts payable and accrued liabilities	\$ 755,697	\$ 816,837
Due to other funds	1,065,762	1,000,000
Deferred revenue	<u>283,583</u>	<u>283,583</u>
<b>Total Liabilities</b>	<b><u>2,105,042</u></b>	<b><u>2,100,420</u></b>
 <b><u>Equity</u></b>		
<b>Fund Balance:</b>		
Unreserved and undesignated	<u>43,366</u>	<u>24,604</u>
<b>Total Equity</b>	<b><u>43,366</u></b>	<b><u>24,604</u></b>
<b>Total Liabilities and Equity</b>	<b><u><u>\$ 2,148,408</u></u></b>	<b><u><u>\$ 2,125,024</u></u></b>

# CITY OF RICHMOND, TEXAS

Exhibit C-8 Page 1 of 3

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND

Year Ended September 30, 2010  
with Comparative Actual Balances for the Year Ended September 30, 2009

	2010		Variance with Final Budget	2009 Actual
	Budget	Actual		
<b>Revenues</b>				
Property taxes	\$ 2,096,878	\$ 2,114,946	\$ 18,068	\$ 2,262,705
Sales taxes	3,050,000	2,857,057	(192,943)	2,952,295
Franchise taxes	715,000	783,267	68,267	780,241
Licenses and permits	250,000	121,403	(128,597)	242,820
Fines and forfeitures	376,050	285,984	(90,066)	289,967
Fees and charges for services	2,400,000	2,279,897	(120,103)	2,158,733
Intergovernmental	131,596	57,976	(73,620)	27,257
Investment earnings	80,000	12,718	(67,282)	3,630
Other	300,000	132,661	(167,339)	290,064
<b>Total Revenues</b>	<b>9,399,524</b>	<b>8,645,909</b>	<b>(753,615)</b>	<b>9,007,712</b>
<b>Expenditures</b>				
<b>City Administration:</b>				
Personnel services	406,358	370,288	36,070	381,925
Supplies	16,350	16,825	(475)	15,804
Repairs and maintenance	58,250	26,742	31,508	20,431
Other services and charges	500,150	485,673	14,477	360,626
Capital outlay		52,049	(52,049)	33,461
<b>Total City Administration</b>	<b>981,108</b>	<b>951,577</b>	<b>29,531</b>	<b>812,247</b>
<b>Vehicle Maintenance:</b>				
Personnel services	121,785	119,138	2,647	117,264
Supplies	12,000	6,830	5,170	11,359
Repairs and maintenance	3,500	2,688	812	583
Other services and charges	8,000	6,914	1,086	6,923
<b>Total Vehicle Maintenance</b>	<b>145,285</b>	<b>135,570</b>	<b>9,715</b>	<b>136,129</b>
<b>Janitorial:</b>				
Personnel services	77,007	77,336	(329)	73,643
Supplies	5,880	2,231	3,649	2,150
Repairs and maintenance	200		200	
Other services and charges	3,200		3,200	318
<b>Total Janitorial</b>	<b>86,287</b>	<b>79,567</b>	<b>6,720</b>	<b>76,111</b>

**CITY OF RICHMOND, TEXAS**

Exhibit C-8 Page 2 of 3

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND**

**Year Ended September 30, 2010**  
**with Comparative Actual Balances for the Year Ended September 30, 2009**

	2010		Variance with Final Budget	2009 Actual
	Budget	Actual		
<b><u>Expenditures (continued)</u></b>				
<b>Municipal Court:</b>				
Personnel services	179,878	173,630	6,248	169,396
Supplies	7,650	6,852	798	5,149
Repairs and maintenance	7,900	9,222	(1,322)	3,831
Other services and charges	104,000	98,327	5,673	100,340
Capital outlay				26,488
<b>Total Municipal Court</b>	<b>299,428</b>	<b>288,031</b>	<b>11,397</b>	<b>305,204</b>
<b>Total General Government</b>	<b>1,512,108</b>	<b>1,454,745</b>	<b>57,363</b>	<b>1,329,691</b>
<b>Public Safety:</b>				
<b>Police:</b>				
Personnel services	2,804,045	2,660,257	143,788	2,599,534
Supplies	155,450	151,483	3,967	131,611
Repairs and maintenance	50,000	42,369	7,631	59,575
Other services and charges	99,500	94,601	4,899	101,055
Capital outlay		578	(578)	35,906
<b>Total Police</b>	<b>3,108,995</b>	<b>2,949,288</b>	<b>159,707</b>	<b>2,927,681</b>
<b>Fire:</b>				
Personnel services	2,500,629	2,497,021	3,608	2,391,058
Supplies	230,400	205,941	24,459	283,534
Repairs and maintenance	107,500	126,193	(18,693)	111,708
Other services and charges	166,950	134,327	32,623	141,867
Capital outlay	118,000	438,669	(320,669)	397,624
<b>Total Fire</b>	<b>3,123,479</b>	<b>3,402,151</b>	<b>(278,672)</b>	<b>3,325,791</b>
<b>Total Public Safety</b>	<b>6,232,474</b>	<b>6,351,439</b>	<b>(118,965)</b>	<b>6,253,472</b>
<b>Public Works:</b>				
<b>Streets/Sanitation:</b>				
Personnel services	528,508	556,801	(28,293)	493,989
Supplies	267,800	115,077	152,723	190,827
Repairs and maintenance	44,000	20,881	23,119	21,253
Other services and charges	1,483,775	1,344,523	139,252	1,379,629
<b>Total Streets/Sanitation</b>	<b>2,324,083</b>	<b>2,037,282</b>	<b>286,801</b>	<b>2,085,698</b>

**CITY OF RICHMOND, TEXAS**

Exhibit C-8 Page 3 of 3

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND**

**Year Ended September 30, 2010**  
**with Comparative Actual Balances for the Year Ended September 30, 2009**

	2010			2009
	Budget	Actual	Variance with Final Budget	Actual
<b><u>Expenditures (continued)</u></b>				
<b>Administration:</b>				
Personnel services	172,363	172,357	6	165,488
Supplies	14,100	9,140	4,960	12,999
Repairs and maintenance	5,000	3,622	1,378	948
Other services and charges	14,685	14,684	1	15,784
<b>Total Administration</b>	<u>206,148</u>	<u>199,803</u>	<u>6,345</u>	<u>195,219</u>
<b>Total Public Works</b>	<u>2,530,231</u>	<u>2,237,085</u>	<u>293,146</u>	<u>2,280,917</u>
<b>Parks:</b>				
Personnel services	327,319	323,528	3,791	300,292
Supplies	46,600	34,585	12,015	28,261
Repairs and maintenance	21,500	10,281	11,219	16,760
Other services and charges	38,800	10,666	28,134	30,985
<b>Total Parks</b>	<u>434,219</u>	<u>379,060</u>	<u>55,159</u>	<u>376,298</u>
<b>Debt Service:</b>				
Principal retirement		100,891	(100,891)	101,577
Interest and fiscal charges	700	3,927	(3,227)	7,865
<b>Total Debt Service</b>	<u>700</u>	<u>104,818</u>	<u>(104,118)</u>	<u>109,442</u>
<b>Total Expenditures</b>	<u>10,709,732</u>	<u>10,527,147</u>	<u>182,585</u>	<u>10,349,820</u>
<b>(Deficiency) of Revenues</b>				
<b>(Under) Expenditures</b>	<u>(1,310,208)</u>	<u>(1,881,238)</u>	<u>(571,030)</u>	<u>(1,342,108)</u>
<b><u>Other Financing Sources</u></b>				
Capital contributions				450,000
Capital lease		400,000	400,000	
Transfers from other funds	1,500,000	1,500,000		1,125,000
<b>Total Other Financing Sources</b>	<u>1,500,000</u>	<u>1,900,000</u>	<u>400,000</u>	<u>1,575,000</u>
<b>Net Change in Fund Balance</b>	189,792	18,762	(171,030)	232,892
Fund Balance (Deficit) - Beginning	<u>24,604</u>	<u>24,604</u>		<u>(208,288)</u>
<b>Fund Balance - Ending</b>	<u>\$ 214,396</u>	<u>\$ 43,366</u>	<u>\$ (171,030)</u>	<u>\$ 24,604</u>

**CITY OF RICHMOND, TEXAS**

Exhibit C-9

**COMPARATIVE BALANCE SHEETS**  
**DEBT SERVICE FUND**

**September 30, 2010 and 2009**

	<b><u>2010</u></b>	<b><u>2009</u></b>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 1,035,273	\$ 1,024,540
<b>Receivables:</b>		
Property taxes	112,110	90,129
Due from other funds	<u>65,762</u>	<u>          </u>
<b>Total Assets</b>	<b><u>\$ 1,213,145</u></b>	<b><u>\$ 1,114,669</u></b>
 <b><u>Liabilities and Fund Balance</u></b>		
<b><u>Liabilities</u></b>		
Accounts payable	\$ 500	\$
Deferred revenue	112,110	90,129
Due to other funds	<u>10,221</u>	<u>          </u>
<b>Total Liabilities</b>	<b><u>122,831</u></b>	<b><u>90,129</u></b>
 <b><u>Fund Balance</u></b>		
<b>Reserved:</b>		
Debt service	<u>1,090,314</u>	<u>1,024,540</u>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$ 1,213,145</u></b>	<b><u>\$ 1,114,669</u></b>



**CITY OF RICHMOND, TEXAS**

Exhibit C-10

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
DEBT SERVICE FUND**

**Year Ended September 30, 2010  
with Comparative Actual Balances for the Year Ended September 30, 2009**

	2010		Variance with Final Budget	2009 Actual
	Final Budget	Actual		
<b><u>Revenues</u></b>				
<b>Property Taxes and Penalties</b>				
Property taxes	\$ 1,014,019	\$ 1,005,722	\$ (8,297)	\$ 821,568
Penalties and interest		15,779	15,779	33,168
	<u>1,014,019</u>	<u>1,021,501</u>	<u>7,482</u>	<u>854,736</u>
<b>Other Revenues</b>				
Investment earnings		2,240	2,240	1,207
Miscellaneous		9,127	9,127	
<b>Total Revenues</b>	<u>1,014,019</u>	<u>1,032,868</u>	<u>18,849</u>	<u>855,943</u>
<b><u>Expenditures</u></b>				
<b>Debt Service:</b>				
Principal retirement	710,000	560,000	150,000	555,000
Interest and fiscal agent fees	457,844	399,596	58,248	279,944
Bond issuance costs		83,618	(83,618)	
Intergovernmental contribution		400,000	(400,000)	
<b>Total Expenditures</b>	<u>1,167,844</u>	<u>1,443,214</u>	<u>(275,370)</u>	<u>834,944</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>				
	<u>(153,825)</u>	<u>(410,346)</u>	<u>(256,521)</u>	<u>20,999</u>
<b>Other Financing Sources Uses)</b>				
Transfers from other funds	153,825		(153,825)	
Issuance of debt		5,040,000	(5,040,000)	
Premium on bonds		120,051	(120,051)	
Payment to refunding bond agent		(4,683,931)	4,683,931	
<b>Total Other Financing Sources (Uses)</b>	<u>153,825</u>	<u>476,120</u>	<u>(629,945)</u>	
<b>Change in Fund Balance</b>		<u>65,774</u>	<u>(410,346)</u>	<u>20,999</u>
Fund Balance - beginning	<u>1,024,540</u>	<u>1,024,540</u>		<u>1,003,541</u>
<b>Fund Balance - Ending</b>	<u>\$ 1,024,540</u>	<u>\$ 1,090,314</u>	<u>\$ (410,346)</u>	<u>\$ 1,024,540</u>

**CITY OF RICHMOND, TEXAS**

Exhibit C-11

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DISCRETELY PRESENTED COMPONENT UNITS**

**September 30, 2010**

	<b>Development Corporation of Richmond</b>	<b>Richmond Higher Education Finance Corporation</b>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 3,999,709	\$ 995
Sales tax receivable	159,841	
<b>Total Assets</b>	<b>\$ 4,159,550</b>	<b>\$ 995</b>
 <b><u>Liabilities and Fund Balances</u></b>		
<b><u>Liabilities</u></b>		
Accounts payable and accrued liabilities	\$ 3,053	\$
<b>Total Liabilities</b>	<b>3,053</b>	
 <b><u>Fund Balances</u></b>		
Fund Balances:		
Reserved for economic development	4,156,497	995
<b>Total Fund Balances</b>	<b>4,156,497</b>	<b>995</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,159,550</b>	<b>\$ 995</b>

**CITY OF RICHMOND, TEXAS**

Exhibit C-12

**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
DISCRETELY PRESENTED COMPONENT UNITS**

**For the Year Ended September 30, 2010**

	<b><u>Development Corporation of Richmond</u></b>	<b><u>Richmond Higher Education Finance Corporation</u></b>
<b><u>Revenues</u></b>		
Taxes:		
Sales	\$ 947,821	\$
Investment earnings	822	
Intergovernmental revenue	400,000	
<b>Total Revenues</b>	<b><u>1,348,643</u></b>	
<b><u>Expenditures</u></b>		
<b>Current:</b>		
General government	375,359	
<b>Debt Service:</b>		
Principal retirement	590,000	
Interest and fiscal charges	16,167	
<b>Total Expenditures</b>	<b><u>981,526</u></b>	
<b>Net Change in Fund Balance</b>	<b>367,117</b>	
Fund balances - beginning	<u>3,789,380</u>	<u>995</u>
<b>Fund Balances - Ending</b>	<b><u>\$ 4,156,497</u></b>	<b><u>\$ 995</u></b>

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## STATISTICAL SECTION

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

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b>	74
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>	86
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	
<b>Debt Capacity</b>	92
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>	96
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities takes place.	
<b>Operating Information</b>	99
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.	

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

# **CITY OF RICHMOND, TEXAS**

## **NET ASSETS BY COMPONENT**

(UNAUDITED)

**Last Seven Fiscal Years \***

**(accrual basis of accounting)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Governmental Activities</b>			
Invested in capital assets, net of related debt	\$ 978,271	\$ 1,660,627	\$ 2,310,521
Restricted	1,914,429	2,171,976	3,604,616
Unrestricted	<u>662,787</u>	<u>530,074</u>	<u>829,468</u>
<b>Total Governmental Activities Net Assets</b>	<b><u>\$ 3,555,487</u></b>	<b><u>\$ 4,362,677</u></b>	<b><u>\$ 6,744,605</u></b>
<b>Business-type Activities</b>			
Invested in capital assets, net of related debt	\$ 8,230,967	\$ 9,473,994	\$ 11,467,756
Restricted	7,013,460	6,335,495	5,772,531
Unrestricted	<u>3,585,953</u>	<u>4,296,760</u>	<u>3,583,768</u>
<b>Total Business-type Activities Net Assets</b>	<b><u>18,830,380</u></b>	<b><u>20,106,249</u></b>	<b><u>20,824,055</u></b>
<b>Primary Government</b>			
Invested in capital assets, net of related debt	\$ 9,209,238	\$ 11,134,621	\$ 13,778,277
Restricted	8,927,889	8,507,471	9,377,147
Unrestricted	<u>4,248,740</u>	<u>4,826,834</u>	<u>4,413,236</u>
<b>Total Primary Government Net Assets</b>	<b><u>\$ 22,385,867</u></b>	<b><u>\$ 24,468,926</u></b>	<b><u>\$ 27,568,660</u></b>

\* The requirement for statistical data is ten years; only seven years are available at this time.

**Table 1**

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 2,994,065	\$ 4,642,399	\$ 5,535,614	\$ 5,602,683
2,855,032	1,762,875	1,496,984	1,200,637
307,372	(196,829)	(83,691)	2,680,396
<u>\$ 6,156,469</u>	<u>\$ 6,208,445</u>	<u>\$ 6,948,907</u>	<u>\$ 9,483,716</u>
\$ 15,983,002	\$ 17,385,386	\$ 17,232,031	\$ 21,006,899
5,216,556	5,267,574	5,264,593	150,000
4,359,734	4,697,280	6,639,822	7,411,532
<u>25,559,292</u>	<u>27,350,240</u>	<u>29,136,446</u>	<u>28,568,431</u>
\$ 18,977,067	\$ 22,027,785	\$ 22,767,645	\$ 26,609,582
8,071,588	7,030,449	6,761,577	1,350,637
4,667,106	4,500,451	6,556,131	10,091,928
<u>\$ 31,715,761</u>	<u>\$ 33,558,685</u>	<u>\$ 36,085,353</u>	<u>\$ 38,052,147</u>

# CITY OF RICHMOND, TEXAS

## CHANGES IN NET ASSETS

(UNAUDITED)

Last Seven Fiscal Years \*

(accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Expenses</b>			
<b>Governmental Activities</b>			
General government	\$ 1,094,640	\$ 1,120,885	\$ 1,306,839
Public works	1,971,723	2,035,111	2,179,577
Parks and recreation	332,545	381,381	348,408
Public safety	3,807,968	4,427,390	4,454,284
Interest and fiscal agent fees on long-term debt	376,126	380,647	372,282
<b>Total Governmental Activities Expenses</b>	<u>7,583,002</u>	<u>8,345,414</u>	<u>8,661,390</u>
<b>Business-type activities</b>			
Water and sewer	2,225,148	2,648,085	3,084,278
<b>Total Business-type Activities Expenses</b>	<u>2,225,148</u>	<u>2,648,085</u>	<u>3,084,278</u>
<b>Total Primary Government Expenses</b>	<u>\$ 9,808,150</u>	<u>\$ 10,993,499</u>	<u>\$ 11,745,668</u>
<b>Program Revenues</b>			
<b>Governmental Activities</b>			
Charges for services			
Public works	\$ 992,400	\$ 1,063,484	\$ 1,130,039
Public safety	946,011	893,814	872,626
Operating grants and contributions	699,672	411,705	494,492
Capital grants and contributions		170,000	219,000
<b>Total Governmental Activities Program Revenues</b>	<u>2,638,083</u>	<u>2,539,003</u>	<u>2,716,157</u>
<b>Business-type Activities</b>			
Charges for services:			
Water	4,391,726	4,166,798	3,014,573
Sewer	N/A	N/A	2,614,943
Capital grants and contributions		242,337	311,207
<b>Total Business-type Activities Program Revenues</b>	<u>4,391,726</u>	<u>4,409,135</u>	<u>5,940,723</u>
<b>Total Primary Government Program Revenues</b>	<u>\$ 7,029,809</u>	<u>\$ 6,948,138</u>	<u>\$ 8,656,880</u>
<b>Net (Expense)/Revenue</b>			
Governmental activities	\$ (4,944,919)	\$ (5,806,411)	\$ (5,945,233)
Business-type activities	2,166,578	1,761,050	2,856,445
<b>Total Primary Government Net Expense</b>	<u>\$ (2,778,341)</u>	<u>\$ (4,045,361)</u>	<u>\$ (3,088,788)</u>

N/A - Prior to 2006, governmental activities charges for services revenue is not available by source.

\* The requirement for statistical data is ten years; only seven years are available at this time.



Table 2 (Page 1 of 2)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$	1,000,624	\$ 1,407,963	\$ 1,288,832	\$ 1,932,001
	2,323,954	2,400,975	2,592,763	2,535,798
	672,936	478,634	472,608	471,017
	5,182,983	5,385,184	6,286,007	6,279,497
	341,734	337,848	295,805	479,682
	<u>9,522,231</u>	<u>10,010,604</u>	<u>10,936,015</u>	<u>11,697,995</u>
	<u>3,292,781</u>	<u>3,841,501</u>	<u>3,956,907</u>	<u>4,087,381</u>
	<u>3,292,781</u>	<u>3,841,501</u>	<u>3,956,907</u>	<u>4,087,381</u>
\$	<u>12,815,012</u>	<u>\$ 13,852,105</u>	<u>\$ 14,892,922</u>	<u>\$ 15,785,376</u>
\$	1,396,379	\$ 1,477,147	\$ 1,552,105	\$ 1,474,934
	941,972	955,124	1,369,206	1,217,402
	446,615	188,911	629,342	1,278,042
	370,063		450,000	
	<u>3,155,029</u>	<u>2,621,182</u>	<u>4,000,653</u>	<u>3,970,378</u>
	3,261,554	3,645,654	3,880,890	3,756,748
	2,867,084	2,405,130	2,643,963	2,924,280
	1,000,000			
	<u>7,128,638</u>	<u>6,050,784</u>	<u>6,524,853</u>	<u>6,681,028</u>
\$	<u>10,283,667</u>	<u>\$ 8,671,966</u>	<u>\$ 10,525,506</u>	<u>\$ 10,651,406</u>
\$	(6,367,202)	\$ (7,389,422)	\$ (6,935,362)	\$ (7,727,617)
	3,835,857	2,209,283	2,567,946	2,593,647
\$	<u>(2,531,345)</u>	<u>\$ (5,180,139)</u>	<u>\$ (4,367,416)</u>	<u>\$ (5,133,970)</u>

# CITY OF RICHMOND, TEXAS

## CHANGES IN NET ASSETS

(UNAUDITED)

Last Seven Fiscal Years \*

(accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>General Revenues and Other Changes in Net Assets</b>			
<b>Governmental Activities</b>			
Taxes			
Property taxes	\$ 2,084,818	\$ 2,238,096	\$ 2,441,549
Sales taxes	2,021,523	2,271,727	2,608,362
Franchise taxes	555,889	541,607	746,044
Investment earnings	2,933	118,373	121,315
Miscellaenous			
Transfers	1,256,215	1,443,798	2,301,762
<b>Total Governmental Activities</b>	<u>5,921,378</u>	<u>6,613,601</u>	<u>8,219,032</u>
<b>Business-type Activities</b>			
Investment earnings	54,727	22,548	271,252
Transfers	(1,256,215)	(1,443,798)	(2,301,762)
<b>Total Business-type Activities</b>	<u>(1,201,488)</u>	<u>(1,421,250)</u>	<u>(2,030,510)</u>
<b>Total Primary Government</b>	<u>\$ 4,719,890</u>	<u>\$ 5,192,351</u>	<u>\$ 6,188,522</u>
<b>Change in Net Assets</b>			
Governmental activities	\$ 976,459	\$ 807,190	\$ 2,273,799
Business-type activities	965,090	339,800	825,935
<b>Total Primary Government</b>	<u>\$ 1,941,549</u>	<u>\$ 1,146,990</u>	<u>\$ 3,099,734</u>

\* The requirement for statistical data is ten years; only seven years are available at this time.

Table 2 (Page 2 of 2)

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 2,645,995	\$ 2,854,330	\$ 3,133,847	\$ 3,157,793
2,584,512	2,641,250	2,952,295	2,857,057
622,081	770,604	780,241	783,267
172,436	69,038	6,673	28,310
345,070	495,156		143,458
(591,028)	611,020	802,768	2,951,859
<u>5,779,066</u>	<u>7,441,398</u>	<u>7,675,824</u>	<u>9,921,744</u>
308,352	192,685	21,028	3,073
591,028	(611,020)	(802,768)	(2,951,859)
<u>899,380</u>	<u>(418,335)</u>	<u>(781,740)</u>	<u>(2,948,786)</u>
<u>\$ 6,678,446</u>	<u>\$ 7,023,063</u>	<u>\$ 6,894,084</u>	<u>\$ 6,972,958</u>
\$ (588,136)	\$ 51,976	\$ 740,462	\$ 2,194,127
4,735,237	1,790,948	1,786,206	(355,139)
<u>\$ 4,147,101</u>	<u>\$ 1,842,924</u>	<u>\$ 2,526,668</u>	<u>\$ 1,838,988</u>

# CITY OF RICHMOND, TEXAS

## GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE

(UNAUDITED)

Last Seven Fiscal Years \*

(accrual basis of accounting)

<u>Function</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Property taxes	\$ 2,084,818	\$ 2,238,096	\$ 2,441,549	\$ 2,645,995
Sales taxes	2,021,523	2,271,727	2,608,362	2,584,512
Franchise taxes	555,889	541,607	746,044	622,081
<b>Total</b>	<u>\$ 4,662,230</u>	<u>\$ 5,051,430</u>	<u>\$ 5,795,955</u>	<u>\$ 5,852,588</u>

\* The requirement for statistical data is ten years; only seven years are available at this time.

**Table 3**

<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 2,854,330	\$ 3,133,847	\$ 3,157,793
2,641,250	2,952,295	2,857,057
<u>770,604</u>	<u>780,241</u>	<u>783,267</u>
<u>\$ 6,266,184</u>	<u>\$ 6,866,383</u>	<u>\$ 6,798,117</u>

# CITY OF RICHMOND, TEXAS

## FUND BALANCES OF GOVERNMENTAL FUNDS

(UNAUDITED)

Last Seven Fiscal Years \*

(modified accrual basis of accounting)

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>General Fund</b>				
Unreserved	\$ 471,563	\$ 497,091	\$ 815,588	\$ 367,277
<b>Total General Fund</b>	<b>\$ 471,563</b>	<b>\$ 497,091</b>	<b>\$ 815,588</b>	<b>\$ 367,277</b>
 <b>All Other Governmental Funds</b>				
Reserved:	\$ 1,947,700	\$ 2,202,734	\$ 3,526,735	\$ 2,227,525
General government	N/A	N/A	N/A	N/A
Parks and recreation	N/A	N/A	N/A	N/A
Debt service	N/A	N/A	N/A	N/A
Unreserved:				653,843
Capital projects funds	N/A	N/A	N/A	N/A
Special revenue funds	N/A	N/A	N/A	N/A
<b>Total All Other Governmental Funds</b>	<b>\$ 1,947,700</b>	<b>\$ 2,202,734</b>	<b>\$ 3,526,735</b>	<b>\$ 2,881,368</b>

N/A - Prior to 2009, reserved and unreserved fund balances are not available by fund type.

\* The requirement for statistical data is ten years; only seven years are available at this time.

**Table 4**

<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ (145,494)	\$ 87,398	\$ 43,366
<u>\$ (145,494)</u>	<u>\$ 87,398</u>	<u>\$ 43,366</u>
\$ 1,190,545	\$	\$
N/A	99,739	118,614
N/A	38,188	38,266
N/A	1,024,540	1,090,314
596,736		
N/A	266,114	6,724,042
N/A		(10,067)
<u>\$ 1,787,281</u>	<u>\$ 1,428,581</u>	<u>\$ 7,961,169</u>

# CITY OF RICHMOND, TEXAS

## CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

(UNAUDITED)

Last Seven Fiscal Years \*

(modified accrual basis of accounting)

	2004	2005	2006
<b>Revenues</b>			
Taxes	\$ 4,608,532	\$ 5,062,256	\$ 5,804,159
Licenses and permits	102,916	108,204	120,410
Fines and forfeitures	390,798	452,873	377,600
Fees and charges for services	889,484	1,396,221	1,504,656
Intergovernmental	698,857	352,946	169,482
Investment earnings	2,933	118,373	121,315
Other revenues	556,028	228,759	325,009
<b>Total Revenues</b>	7,249,548	7,719,632	8,422,631
<b>Expenditures</b>			
General government	1,399,135	1,093,884	1,289,536
Public safety	3,777,023	4,084,857	4,341,840
Public works	1,781,330	1,586,158	1,908,356
Parks and recreation	256,454	300,714	282,158
Capital outlay	247,577	1,399,095	260,975
Debt service			
Principal	480,000	515,000	626,238
Interest and fiscal charges	374,743	383,160	372,792
Debt issuance costs			
Intergovernmental contributions			
<b>Total Expenditures</b>	8,316,262	9,362,868	9,081,895
<b>(Deficiency) of Revenues</b>			
<b>(Under) Expenditures</b>	(1,066,714)	(1,643,236)	(659,264)
<b>Other Financing Sources (Uses)</b>			
Issuance of debt	530,000		
Premium on bonds			
Payment to refunding bond agent			
Capital leases	50,697	480,000	
Transfers in	1,320,740	1,443,798	2,312,009
Transfers (out)	(64,525)		(10,247)
<b>Total Other Financing Sources (Uses)</b>	1,836,912	1,923,798	2,301,762
<b>Net Change in Fund Balances</b>	\$ 770,198	\$ 280,562	\$ 1,642,498
Debt service as a percentage of noncapital expenditures	10.6%	11.3%	11.3%

\* The requirement for statistical data is ten years; only seven years are available at this time.



Table 5

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 5,875,449	\$ 6,247,968	\$ 6,849,977	\$ 6,776,771
264,546	140,954	242,820	121,403
389,364	330,922	300,536	296,037
1,689,441	1,973,729	2,158,733	2,279,897
441,615	190,862	334,278	228,410
172,436	69,038	6,673	28,310
345,070	495,156	514,286	1,188,089
<u>9,177,921</u>	<u>9,448,629</u>	<u>10,407,303</u>	<u>10,918,917</u>
1,413,237	1,575,000	1,329,691	1,624,722
5,067,779	5,386,062	6,262,566	6,354,900
2,153,206	2,198,603	2,280,917	2,237,085
661,921	429,448	376,298	379,060
13,209	1,045,918	560,536	36,495
633,702	691,698	677,485	682,770
345,646	339,778	298,386	413,400
			222,525
			400,000
<u>10,288,700</u>	<u>11,666,507</u>	<u>11,785,879</u>	<u>12,350,957</u>
(1,110,779)	(2,217,878)	(1,378,576)	(1,432,040)
			9,040,000
			275,462
			(4,683,931)
500,000			400,000
1,000,000	1,250,000	1,829,953	7,201,713
(1,591,028)	(638,980)	(577,185)	(4,249,854)
<u>(91,028)</u>	<u>611,020</u>	<u>1,252,768</u>	<u>7,983,390</u>
<u>\$ (1,201,807)</u>	<u>\$ (1,606,858)</u>	<u>\$ (125,808)</u>	<u>\$ 6,551,350</u>
9.5%	10.4%	9.0%	14.8%

**CITY OF RICHMOND, TEXAS**

**GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE**

(UNAUDITED)

**Last Seven Fiscal Years \***

**(modified accrual basis of accounting)**

<b><u>Function</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>
Property taxes	\$ 2,031,120	\$ 2,248,922	\$ 2,449,753	\$ 2,668,856
Sales taxes	2,021,523	2,271,727	2,608,362	2,584,512
Franchise taxes	<u>555,889</u>	<u>541,607</u>	<u>746,044</u>	<u>622,081</u>
<b>Total</b>	<b><u>\$ 4,608,532</u></b>	<b><u>\$ 5,062,256</u></b>	<b><u>\$ 5,804,159</u></b>	<b><u>\$ 5,875,449</u></b>

\* The requirement for statistical data is ten years; only seven years are available at this time.

**Table 6**

<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 2,836,114	\$ 3,117,441	\$ 3,136,447
2,641,250	2,952,295	2,857,057
<u>770,604</u>	<u>780,241</u>	<u>783,267</u>
<u>\$ 6,247,968</u>	<u>\$ 6,849,977</u>	<u>\$ 6,776,771</u>

**CITY OF RICHMOND, TEXAS**

Table 7

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE  
OF TAXABLE PROPERTY**  
(UNAUDITED)  
**Last Ten Fiscal Years**

<b>Fiscal Year Ended Sept. 30,</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Personal Property</b>	<b>Less: Tax-Exempt Real Property</b>	<b>Total Taxable Assessed Value (1)</b>	<b>Total Direct Tax Rate</b>
2001	\$ 132,769,175	\$ 143,196,915	\$ 47,064,850	\$ 93,339,379	\$ 229,691,561	\$ 0.79000
2002	139,594,515	146,682,525	74,659,324	117,592,376	243,343,988	0.79000
2003	142,585,950	147,513,215	70,023,180	114,752,362	245,369,983	0.79000
2004	153,915,155	150,821,915	71,030,722	117,592,624	258,175,168	0.79000
2005	163,279,425	159,521,405	69,132,387	117,990,409	273,942,808	0.79000
2006	180,924,040	174,946,815	73,487,307	128,237,791	301,120,371	0.79000
2007	181,800,785	215,023,230	73,325,583	139,762,146	330,387,452	0.79000
2008	191,067,275	243,104,120	81,100,922	151,602,280	363,670,037	0.79000
2009	206,216,948	285,710,705	81,043,685	173,417,360	399,553,978	0.79000
2010	205,689,110	342,129,164	83,740,496	235,769,476	395,789,294	0.78650

Source - Tax assessor/collector's records.

(1) Property is assessed at actual value; therefore, the assessed values are equal to actual value.  
Tax rates are per \$100 of assessed value.

**CITY OF RICHMOND, TEXAS**

Table 8

**PROPERTY TAX RATES -  
DIRECT AND OVERLAPPING GOVERNMENTS**

(UNAUDITED)

**Last Ten Fiscal Years**

Fiscal Year	Tax Year	City of Richmond			Total Direct Rate	Overlapping Rates (1)		Total
		Maintenance Rate	Debt Service Rate	Lamar CISD		Fort Bend County		
<b>Tax Rates (*)</b>								
2001	2000	\$ N/A	\$ N/A	\$ 0.79000	\$ 1.65128	\$ 0.60410	\$ 3.04538	
2002	2001	N/A	N/A	0.79000	1.66450	0.56410	3.01860	
2003	2002	N/A	N/A	0.79000	1.66450	0.53874	2.99324	
2004	2003	0.46020	0.32980	0.79000	1.69760	0.52374	3.80134	
2005	2004	0.46270	0.32730	0.79000	1.69760	0.52374	3.80134	
2006	2005	0.50060	0.28940	0.79000	1.54770	0.51674	3.64444	
2007	2006	0.52880	0.26120	0.79000	1.54770	0.51674	3.64444	
2008	2007	0.55270	0.23730	0.79000	1.29765	0.51674	3.39439	
2009	2008	0.57920	0.21080	0.79000	1.29765	0.49976	3.37741	
2010	2009	0.52900	0.25750	0.78650	1.29765	0.49976	3.37041	

Source - Tax Department records of the various taxing authorities.

(\*) Per \$100 of assessed valuation.

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

N/A - Maintenance and Debt Service rates are not available at this time.

**CITY OF RICHMOND, TEXAS**

Table 9

**PRINCIPAL PROPERTY TAXPAYERS**

(UNAUDITED)

**Current Year and Seven Years Ago**

<b>Taxpayer</b>	<b>2010</b>			<b>2003</b>		
	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>% of Total Taxable Assessed Value</b>	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>% of Total Taxable Assessed Value</b>
Wal-Mart Real Estate Business	\$ 11,758,870	1	2.97 %	\$ 7,191,670	2	2.95 %
Archer Daniel Midland Co	11,410,460	2	2.88	6,124,830	1	2.51
Wal-Mart Texas Stores, LP	8,827,170	3	2.23	6,578,060	4	2.70
Matrix Metals, LLC	7,018,390	4	1.77	1,672,260	3	0.69
Hunter, Clayton, LLC	6,280,150	5	1.59	12,484,310	9	5.12
G&I VI Country Club Place, LP	5,663,340	6	1.43	3,883,180	5	1.59
Oakbend Hospital Authority	5,473,250	7	1.38	4,621,560	7	1.90
Golfview Holdings LLC	4,613,300	8	1.17			
CenterPoint Energy Inc	3,749,830	9	0.95	4,238,310	6	1.74
Wolverine	3,709,000	10	0.94			
Southern Cotton Oil Co				1,821,830	8	0.75
Hobbs & Curry FLP				1,500,040	10	0.62
Subtotal	68,503,760		17.31	50,116,050		20.57
Other taxpayers	327,285,534		82.69	193,563,938		79.43
Total original roll	<u>\$ 395,789,294</u>		<u>100.00</u>	<u>\$ 243,679,988</u>		<u>100.00</u>

\* The requirement for statistical data is ten years; only the current year and seven years prior are available at this time.

Source - Tax assessor/collector's records.

**CITY OF RICHMOND, TEXAS**

Table 10

**PROPERTY TAX LEVIES AND COLLECTIONS**

(UNAUDITED)

**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Tax Rate</b>	<b>Total Tax Levy and Adjust.</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
			<b>Amount</b>	<b>% of Levy</b>		<b>Amount</b>	<b>% of Levy</b>
2001	\$ 0.79000	\$ 1,811,655	\$ 1,723,297	95.12 %	\$ 75,384	\$ 1,798,681	99.28 %
2002	0.79000	1,921,823	1,843,405	95.92	63,056	1,906,461	99.20 %
2003	0.79000	1,938,277	1,858,610	95.89	63,739	1,922,349	99.18
2004	0.79000	2,042,786	1,906,316	93.32	120,689	2,027,005	99.23
2005	0.79000	2,164,150	2,035,724	94.07	110,184	2,145,908	99.16
2006	0.79000	2,378,721	2,287,241	96.15	70,626	2,357,867	99.12
2007	0.79000	2,587,548	2,506,050	96.85	56,481	2,562,531	99.03
2008	0.79000	2,819,564	2,707,816	96.04	69,993	2,777,809	98.52
2009	0.79000	3,120,709	2,982,814	95.58	51,539	3,034,353	97.23
2010	0.78650	3,112,883	3,006,008	96.57		3,006,008	96.57

Source - Tax assessor/collector's records.

**CITY OF RICHMOND, TEXAS**

Table 11

**RATIOS OF OUTSTANDING DEBT BY TYPE**  
 (UNAUDITED)  
Last Seven Fiscal Years \*

Fiscal Year Ended Sept. 30,	Governmental Activities		Business-type Activities		Total Primary Government	% of Personal Income	Per Capita **
	General Obligation Bonds	Capital Leases	Certificates of Obligation	Capital Leases			
2004	\$ 8,245,000	\$ 46,870	\$ 3,055,000	\$	\$ 11,346,870	n/a	\$ 867
2005	7,730,000	517,407	2,905,000	39,194	11,191,601	n/a	833
2006	7,200,000	416,232	2,755,000	75,663	10,446,895	n/a	758
2007	6,665,000	812,374	2,605,000	46,301	10,128,675	n/a	705
2008	6,115,000	665,812	2,455,000	16,307	9,252,119	n/a	690
2009	5,560,000	518,173	2,305,000		8,383,173	n/a	621
2010	9,420,000	773,022	2,155,000		12,348,022	n/a	913

n/a - information not available.

Source - Tax assessor/collector's records.

\* The requirement for statistical data is ten years; only seven years are available at this time.

\*\* See the Schedule of Demographic and Economic Statistics (Table 15) for population data.



**CITY OF RICHMOND, TEXAS**

Table 12

**RATIO OF NET GENERAL BONDED DEBT OUTSTANDING**  
**(UNAUDITED)**  
**Last Seven Fiscal Years \***

<b>Fiscal Year Ended Sept. 30,</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund (1)</b>	<b>Total</b>	<b>% of Estimated Actual Taxable Value of Property</b>	<b>Per Capita</b>
2004	\$ 8,245,000	\$ 845,532	\$ 7,399,468	2.87%	\$ 565
2005	7,730,000	893,724	6,836,276	2.50%	509
2006	7,200,000	928,829	6,271,171	2.08%	455
2007	6,665,000	987,002	5,677,998	1.72%	395
2008	6,115,000	1,003,541	5,111,459	1.43%	381
2009	5,560,000	1,024,540	4,535,460	1.14%	336
2010	9,420,000	1,090,314	8,329,686	2.10%	616

(1) Amounts available in debt service fund are legally restricted for the repayment of principal.

\* The requirement for statistical data is ten years; only seven years are available at this time.

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**CITY OF RICHMOND, TEXAS**

Table 13

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**

(UNAUDITED)

**September 30, 2010**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>City of Richmond Share of Debt</u>
Lamar CISD	\$ 455,400,000	4.13 %	\$ 18,808,020
Fort Bend County	466,905,000	1.01	<u>4,715,741</u>
Subtotal, overlapping debt			23,523,761
<b>City Direct Debt</b>			<u>11,575,000</u>
<b>Total Direct and Overlapping Debt</b>			<u><u>\$ 35,098,761</u></u>

Source - RBC Dain Rauscher.

**Note** - Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore, responsible for repaying the debt of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the overlapping government's taxable assessed value that is within the City's boundaries and dividing it by the overlapping government's total taxable assessed value.

# CITY OF RICHMOND, TEXAS

## LEGAL DEBT MARGIN INFORMATION

(UNAUDITED)

Last Seven Fiscal Years \*

	<b>2004</b>	<b>2005</b>	<b>2006</b>
Debt limit	\$ 25,817,517	\$ 27,394,281	\$ 30,112,037
Total net debt applicable to limit	7,399,468	6,836,276	6,271,171
Legal debt margin	\$ 18,418,049	\$ 20,558,005	\$ 23,840,866
Total net debt applicable to the limit as a percentage of debt limit	40.18%	33.25%	26.30%

### Legal Debt Margin Calculation by Fiscal Year

Assessed value	\$ 258,175,168	\$ 273,942,808	\$ 301,120,371
Debt limit (10% of assessed value)	25,817,517	27,394,281	30,112,037
Debt applicable to limit:			
General obligation bonds	8,245,000	7,730,000	7,200,000
Less: amount set aside for repayment of general obligation debt	(845,532)	(893,724)	(928,829)
Total net debt applicable to limit	7,399,468	6,836,276	6,271,171
Legal debt margin	\$ 18,418,049	\$ 20,558,005	\$ 23,840,866

**Note** - Under state finance law, the City of Richmond's outstanding general obligation debt should not exceed 10 percent of total assessed property value. By law the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

\* The requirement for statistical data is ten years; only seven years are available at this time.

**Table 14**

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 33,038,745	\$ 35,690,690	\$ 39,955,398	\$ 39,578,929
<u>5,677,998</u>	<u>5,111,459</u>	<u>4,535,460</u>	<u>8,329,686</u>
<u>\$ 27,360,747</u>	<u>\$ 30,579,231</u>	<u>\$ 35,419,938</u>	<u>\$ 31,249,243</u>
20.75%	16.72%	12.80%	26.66%
\$ 330,387,452	\$ 356,906,900	\$ 399,553,978	\$ 395,789,294
33,038,745	35,690,690	39,955,398	39,578,929
6,665,000	6,115,000	5,560,000	9,420,000
<u>(987,002)</u>	<u>(1,003,541)</u>	<u>(1,024,540)</u>	<u>(1,090,314)</u>
<u>5,677,998</u>	<u>5,111,459</u>	<u>4,535,460</u>	<u>8,329,686</u>
<u>\$ 27,360,747</u>	<u>\$ 30,579,231</u>	<u>\$ 35,419,938</u>	<u>\$ 31,249,243</u>

# CITY OF RICHMOND, TEXAS

Table 15

## DEMOGRAPHIC AND ECONOMIC STATISTICS

(UNAUDITED)

### Last Ten Fiscal Years

<u>Fiscal Year Ended Sept. 30,</u>	<u>Population (1)</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Median Age (1)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate (3)</u>
2001	11,965	\$ n/a	\$ n/a	30	1,390	4.1%
2002	12,411	n/a	n/a	30	1,426	5.0%
2003	12,752	n/a	n/a	30	1,420	5.9%
2004	13,093	n/a	n/a	30	1,388	5.1%
2005	13,434	n/a	n/a	30	1,343	5.2%
2006	13,775	n/a	n/a	30	1,951	4.7%
2007	14,372	n/a	n/a	31	2,051	4.2%
2008	13,404	n/a	17,083	31	2,153	5.5%
2009	13,493	n/a	15,195	30	1,983	6.1%
2010	13,532	n/a	19,503	30	2,524	8.3%

n/a - information not available.

**Data sources:**

(1) Bureau of the Census.

(2) Lamar Consolidated Independent School District.

(3) Texas Workforce Commission - data prior to 2000 is not available.

**CITY OF RICHMOND, TEXAS**

Table 16

**PRINCIPAL EMPLOYERS**  
 (UNAUDITED)  
Current Year and Seven Years Ago

<u>Employer</u>	<u>2010</u>			<u>2003</u>		
	<u>Employees</u>	<u>Rank</u>	<u>% of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>% of Total City Employment</u>
Fort Bend County	2,226	1	29.68 %	\$ 1,537	1	20.49 %
Richmond State School	1,392	2	18.56	1,269	2	16.92
Oak Bend Hospital	475	3	6.33	468	3	6.24
Wal-Mart	278	4	3.71	189	4	2.52
City of Richmond	140	5	1.87	108	6	1.44
T.W. Davis YMCA	100	6	1.33	110	5	1.47
Richmond Post Office	63	7	0.84	85	7	1.13
ADM Cotton Mill	43	8	0.57	52	8	0.69
NEPCO Foundry/Matrix Metal	26	9	0.35	38	9	0.51
Office Depot	6	10	0.08	6	10	0.08
<b>Total</b>	<u>4,749</u>		<u>63.32 %</u>	<u>\$ 3,862</u>		<u>51.49 %</u>

\* The requirement for statistical data is ten years; only the current year and seven years prior are available at this time.

Source - Municipal Advisory Council.

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**CITY OF RICHMOND, TEXAS**

Table 17

**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**  
 (UNAUDITED)  
Last Ten Fiscal Years

<b>Function</b>	<b>Full-time Equivalent Employees as of September 30</b>									
	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
General government	7	7	7	8	8	9	10	10	10	9
Public safety										
Police										
Officers	27	28	28	28	31	31	32	31	31	30
Civilians	10	10	10	10	10	10	10	11	11	10
Fire										
Firefighters	14	14	15	20	21	24	28	34	34	34
Civilians	3	3	3	3	3	3	3	3	3	3
Public works										
Administration					2	2	2	2	2	2
Streets and sanitation	10	10	10	10	10	10	10	10	11	11
Maintenance and operations	5	5	4	4	4	4	4	4	4	4
Parks and recreation	7	7	8	8	8	8	6	7	7	7
Water and sewer	23	23	23	23	24	24	28	28	27	30
<b>Total</b>	<b>106</b>	<b>107</b>	<b>108</b>	<b>114</b>	<b>121</b>	<b>125</b>	<b>133</b>	<b>140</b>	<b>140</b>	<b>140</b>

Source - City personnel records.

**CITY OF RICHMOND, TEXAS**

**OPERATING INDICATORS BY FUNCTION**

(UNAUDITED)

**Last Seven Fiscal Years \***

<b>Function</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Police</b>			
Arrests	618	641	577
Accident reports	212	200	182
Citations	6,298	5,513	4,473
Offense reports	2,040	2,163	1,845
Calls for service	61,919	67,077	62,607
<b>Fire</b>			
Structural fires	32	37	27
Vehicle fires	26	14	24
Vegetation fires	12	26	27
Trash/dumpster/other fires	26	18	35
EMS	1,240	1,331	1,355
Rescue	355	166	303
Hazardous condition/material calls	133	178	145
Service calls	1,151	1,057	852
Good intent calls	320	451	322
False alarms	10	16	18
Automatic aid/mutual aid given	123	153	166
<b>Total Incident Responses</b>	<b>3,428</b>	<b>3,447</b>	<b>3,274</b>
Fire safety inspections conducted	203	382	495
Fire safety classes/total audience	58/4830	57/3876	52/4101
Fire investigations initiated	38	50	33
Building - total permits issued	1,087	1,296	1,885
Building - total inspections conducted	2,280	2,619	4,253
<b>Water</b>			
Average daily consumption (millions of gallons)	1.850	2.051	1.895
Total Consumption (millions of gallons)	597.993	625.965	691.921
Peak daily consumption (millions of gallons)	2.395	2.898	2.984
<b>Sewer</b>			
Average daily sewage treatment (millions of gallons)	1.518	1.294	1.334
Total Consumption (millions of gallons)	555.021	472.281	486.998
Peak daily consumption (millions of gallons)	3.610	2.882	3.060

**Source** - Various City departments.

\* The requirement for statistical data is ten years; only seven years are available at this time.

Table 18

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
340	401	501	745
252	246	239	237
4,467	4,575	3,989	3,611
1,572	1,759	1,650	1,413
63,036	67,499	58,944	30,078
31	23	31	16
26	21	22	11
19	24	50	34
17	35	42	21
1,612	1,800	1,858	2,091
151	148	188	222
79	176	148	192
836	887	651	702
355	314	382	378
16	22	18	42
156	152	167	154
3,298	3,602	3,557	3,863
331	274	340	328
45/4582	54/3942	57/4134	71/6468
30	37	37	26
1,952	1,567	1,262	1,369
3,953	4,320	2,903	2,861
1.788	1.977	1.977	1.973
652.961	723.511	723.511	720.179
3.408	3.214	3.214	3.267
1.452	1.376	1.376	1.492
529.939	503.745	503.745	546.592
3.566	3.000	3.000	2.778

**CITY OF RICHMOND, TEXAS**

Table 19

**CAPITAL ASSETS STATISTICS BY FUNCTION**  
**(UNAUDITED)**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	18	18	20	23	25	25	25	27	27	27
Fire										
Stations	1	1	2	2	2	2	2	2	3	3
Public works										
Collection trucks	1	1	2	2	2	2	10	10	10	10
Streets (miles)	44	44	44	44	44	45	45	45	45	45
Parks and recreation										
Parks acreage	233	233	233	235	235	235	235	235	235	235
Parks	2	2	2	3	3	3	3	3	3	3
Water and sewer										
Water mains (miles)	n/a	48	48	50	50	50	50	50	50	50
Fire hydrants	n/a	213	223	234	239	287	287	292	292	292
Maximum daily capacity (millions of gallons)	n/a	2,167	3,167	3,167	3,167	3,167	3,167	3,167	3,167	3,167
Sanitary sewers (miles)	n/a	44	44	44	44	44	44	44	44	44
Storm sewers (miles)	n/a	12	12	12	12	12	12	12	12	12
Maximum daily treatment capacity (millions of gallons)	2.387	2.164	3.712	3.610	2.882	3.060	3.060	3.000	3.000	3.000

n/a - information not available.

**Source** - Various City departments.

**Note** - No capital asset indicators are available for the general government function.