



CITY OF RICHARDSON, TEXAS

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

Prepared By:

DEPARTMENT OF FINANCE

Kent Pfeil, CGFO, Chief Financial Officer

Keith Dagen, CPA – Director of Finance

Vicki McCarthy, CPA – Controller

Carolyn Kaplan, CPA

Michael Spanos

Paulette Overman

Stephanie Helmick

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**City of Richardson, Texas
Comprehensive Annual Financial Report
For the Year Ended September 30, 2017**

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INTRODUCTORY SECTION

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City Council
Paul Voelker
Mayor
Mark Solomon
Mayor Pro Tem
Bob Dubey
Scott Dunn
Mabel Simpson
Marta Gómez Frey
Steve Mitchell

Dan Johnson
City Manager

February 9, 2018

Honorable Mayor and City Council,
Citizens of the City of Richardson, Texas:

The Comprehensive Annual Financial Report of the City of Richardson (the City), for the fiscal year ended September 30, 2017, is hereby submitted as mandated by both local ordinances and state statutes. These ordinances and statutes require that the City issue an annual report on its financial position and activity, and that an independent firm of certified public accountants audit this report.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City Council selected the firm of Crowe Horwath LLP, Certified Public Accountants to audit these financial statements. The independent auditor has issued an unmodified ("clean") opinion on the City's financial statements for the year ended September 30, 2017, and the auditor's report is located at the front of the financial section of the Comprehensive Annual Financial Report.

Management provides a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditors' report.

Profile of the Government

The City is located in North Central Texas and was originally incorporated in 1925, with the first Charter being adopted in 1956 and the latest revision made in November 2015. The City currently has a land area of 28.5 square miles and an estimated population of 107,400. The City is a home rule city and operates under the Council-Manager form of government. Richardson voters simultaneously elect six Council members and a Mayor to represent them every two years. All Council members and the Mayor are elected at large, with four Council members representing each of the City's four districts. Terms of office for all Council positions are for two consecutive years.

The Charter requires that the City Council appoint a City Manager to act as the chief administrative and executive officer of the City. The City Manager is not appointed for a fixed time and may be removed at the will and pleasure of the majority of the City Council. One of the responsibilities of the City Manager is to appoint and remove department heads and conduct the general affairs of the City in accordance with the policies of the City Council.

CITY OF RICHARDSON, TEXAS

Transmittal Letter
September 30, 2017

The City provides to its citizens a full range of services including police and fire protection, emergency ambulance service, water and sewer service, solid waste disposal, park and recreational activities, cultural events, and a library. In addition, the City provides planning for future land use, traffic control, building inspection, and community services and operates two eighteen-hole golf courses. The City also operates the Charles W. Eisemann Center for Performing Arts and Corporate Presentations, which is a multi-venue performing arts and presentation center. Certain parks and recreation and administrative services are performed by the Richardson Improvement Corporation, which functions, in essence, as a department of the City of Richardson and therefore has been included as an integral part of the City's financial statements. Additional information on this legally separate entity can be found in the notes to the financial statements (see note 1.a.)

Activities of the general, debt service, water and sewer, golf, solid waste, special revenue, and internal service funds are included in the annual appropriated budget. The City Council is authorized to transfer budgeted amounts within and among departments and ratifies, through the Budget Ordinance, any transfers and/or amendments made by the City Manager. The legal level of control for each budget is at the fund level, which is to say that total expenditures for each fund should not exceed total budgeted expenditures for that fund.

Purchase orders that exceed appropriated balances are not released until they have been further reviewed and approved by the City Manager or his representative. Departmental appropriations that have not been expended by the departments lapse at the end of the fiscal year. Funds that were budgeted and not used by the departments during the fiscal year are not available for their use unless appropriated in the budget of the ensuing fiscal year.

The City maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbrances outstanding at year-end are included within the relevant fund balance classifications based on the purposes to which the encumbrances relate and can be classified as assigned, committed, or restricted fund balances. Encumbrances do not constitute expenditures or liabilities. The commitments will be honored during the subsequent year. The City amends the budget at the end of each fiscal year to provide for additional expenditures or expenses and also to provide reductions in other expenditures or expenses, or supplemental revenues to fund such amendments.

Local Economy

The city of Richardson, including its Telecom Corridor® area, is one of the major employment centers in the Dallas-Fort Worth Metroplex. Richardson is a center of economic diversity, with high-quality businesses in the technology, financial services and healthcare sectors, reflecting the area's attractiveness for companies from a wide range of business sectors. Richardson has extensive resources in academia, a highly skilled labor pool, superb transportation assets, infrastructure support, excellent lodging and meeting venues, and major corporate employers which will continue to prove beneficial in the recruitment of new businesses.

Richardson and the region benefit from the location of two major highways in the City. U.S. 75 bisects the City running north-south, with access to the IH-635/U.S.75 interchange (known as the High Five) just south of the City's border. The President George Bush Turnpike (PGBT), running east-west along the northern border of the City, provides a convenient connection to the Dallas-Fort Worth International Airport, as well as links to IH-35E, IH-30, IH-20, SH-114, and SH-183 west of the City as well as a second link to IH-30 east of the City. In order to help eliminate the congestion that motorists encounter when transitioning between U.S. 75 and the Bush Turnpike, San Antonio-based Zachry Construction Corp has started work on a \$37 million overhaul of the U.S. 75 interchange at PGBT. The project will reconfigure the ramps and merges at U.S. 75 and the PGBT, one of DFW's busiest interchanges. The work includes extending the railroad bridge just north of PGBT, constructing new auxiliary lanes and rebuilding the Plano Parkway bridge spanning U.S. 75, just north of the City's border.

Richardson also benefits from the Dallas Area Rapid Transit ("DART") Light Rail line which parallels U.S. 75 and has four stations in the City. In October of 2016, DART approved the future construction of the Cotton Belt Commuter Rail Line with the adoption of its 20-Year Financial Plan. In September of 2017, funding for the Cotton Belt line was approved through a combination of bonds, federal loans and internal and external revenues. Service on the Cotton Belt is projected to commence in 2022. The Cotton Belt line will run from DFW Airport to the eastern side of Plano, with Richardson stations located at the University of Texas at Dallas and CityLine. The Cotton Belt rail line will also connect to Fort Worth's TEXRail Line, which is being developed to connect downtown

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Fort Worth to the DFW Airport. In order to take full advantage of these transportation assets for development and redevelopment purposes, the City has implemented three Tax Increment Financing (TIF) Districts. TIF District #1 was established in November 2006, encompassing both sides of the U.S. 75 corridor from Campbell Road south to Spring Valley Road, and then extending west from U.S. 75 along Spring Valley Road to Coit Road. TIF District #2, established in November 2011, is bounded by President George Bush Turnpike on the north, Wyndham Lane on the east, Renner Road on the south, and the DART Light Rail line on the west. TIF District #3, established in November 2011, is bounded by President George Bush Turnpike on the north, the DART Light Rail line on the east, Renner Road on the South and has its western boundary between Alma Road and U.S. 75. Dallas County participates financially in TIF District #1 and Collin County participates financially in TIF District #2 and TIF District #3.

The TIF Districts and the DART Light Rail line are key strategic elements in the City's development and redevelopment plans, and the City strongly benefits from projects which are taking advantage of these assets as evidenced by the following examples:

CityLine/CityLine West: Dallas-based developer KDC acquired 186 acres of land within TIF District #2 in December 2012 and announced plans to develop a \$1.5 billion mixed-use, transit-oriented development which has direct access to two major highways and an on-property DART Rail station which enhances its convenience and accessibility. In October 2014, BC Station Partners LLC acquired 55 adjacent acres, with plans for a complimentary mixed-use development. The combined developments now include corporate office buildings anchored by State Farm and Raytheon, apartments, hotels, a wellness office building and fitness center anchored by Texas Health Resources and Children's Medical Center, 150,000 square feet of restaurants and retail space, and two City parks with connectivity to regional trails and nature preserves. This unique lifestyle destination balances spaces to live, work and play while the compact layout offers easy access to the following areas of interest:

- Corporate Office Buildings:

State Farm – Construction on the first phase of development began in April 2013, with three of four buildings for State Farm, as well as associated infrastructure and public amenities completed in 2015. The final building was completed in October 2016, with State Farm occupying 2.1 million square feet of office space at CityLine that will enable it to grow its local workforce to 10,000.

Raytheon – In March 2014, Raytheon announced plans to move its Garland, Texas engineering operations to a new state-of-the-art campus in Richardson's CityLine development. Construction began on the 489,000 square foot office complex within TIF District #2 at the southwest corner of Wyndham Lane and the President Bush Turnpike in July 2014, and the company began occupying the new campus in September 2015. Raytheon brought an estimated 1,700 employees to the CityLine campus.

3400 @ CityLine – Transwestern Development Co. broke ground in June 2016 on a 7-acre, 5-story, 310,000 square foot speculative office building. The new building at the northeast corner of U.S. 75 and Renner Road anchors the CityLine West development and is within walking distance of the DART Rail station and CityLine's retail options. Construction was complete at the end of 2017.

- Dining: There are numerous dining options available at the CityLine development. Dining options include Jasper's Gourmet Backyard Cuisine, Texan Melts, Top Pot Hand-Forged Doughnuts & Coffee, Coal Vines, Edoko Sushi & Robata, Fernando's Mexican Cuisine, Good Union Urban BBQ, Starbucks, CityLine Kitchen, Red Mango, and Tricky Fish among others. Dining options at CityLine Market include Fish City Grill, Jimmy John's, Pho is For Lovers, Super Chix, Luna Grill, Modern Market, Pei Wei Asian Diner, Piada Italian Street Food, Smashburger, and Taco Diner all of which are anchored by a 40,000 square foot Whole Foods Market.

- Living:

Multi-family – There are over 2,500 apartment and town home units to choose from in the CityLine and CityLine West developments. Floor plans vary from one, two and three bedroom with sizes ranging from 575 to 1,550 square feet. There are many complexes to choose from such as The Standard at CityLine, Anthem CityLine, The Riley Apartments, Windsor CityLine

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and The Alexan Central. Amenities include but are not limited to resort style pools, fitness centers, resident lounges and business centers.

Single-family – Centre Living Homes began construction in 2016 on The Residences at CityLine which is a distinctly urban style single family development of 32 single-family, zero-lot-line homes on approximately 2.4 acres located at the southwest corner of CityLine Drive and Foxboro Drive. The only single family development in the TIF District #2 and CityLine area, the development’s dense, compact design is well suited to the broader CityLine context while expanding the range of housing choices available in Richardson.

- **Hotels:**

Aloft at CityLine – Starwood Hotels & Resorts, a 150-room select service hotel opened to the public in August 2017. The hotel is located in proximity to the first three State Farm buildings and fronts CityLine Plaza situated at the heart of the CityLine development.

Drury Inn & Suites – In 2016 Drury Southwest purchased a 6.4-acre site located at the southeast corner of CityLine Drive and U.S. 75. Drury Southwest recently began construction on approximately 3 acres for an 11-story, full-service 201 room hotel with a parking garage, an attached 6,500 square foot conference facility, and a 6,000 square foot free-standing restaurant.

- **Recreation:**

CityLine Park – This 3.5-acre park is located on the west side of the development along Routh Creek Pkwy. It connects to the nearby Spring Creek Nature area and regional trail systems. It also includes an elevated boardwalk with seating area and an architecturally unique pavilion.

Fox Creek Park – Designed by TBG Partners, Fox Creek Park is located at Renner Road and Foxboro Drive and joins the current CityLine Park which opened in the fall of 2016. The initial phase includes 11-acres of the 17-acre park and includes a 75-foot pedestrian and cyclist bridge, a covered pavilion, playgrounds for children of various ages, limestone benches underneath shady canopy trees, ornamental planting beds, and connectivity to citywide hike and bike trail systems. There will also be formalized lawns utilizing native plants to help reduce water usage, provide wildlife habitats, and accommodate public programming. Phase one was completed in October 2017.

- **Retail:** Various retail tenants occupy CityLine Market such as CVS, Wells Fargo, Reef Point Yoga, CityLine Dental Center, The Joint, FedEx, CityLine Nail & Spa, Eighteen Eight, and Massage Envy.

Eastside, Phase II: Property owners Fobare Commercial and AGF, in partnership with Hunt Development Co., are expanding their \$90-million mixed-use Eastside development located at Campbell Road and U.S. 75 within TIF District #1 with a second development phase. Eastside Phase II replaces about 145,000 square feet of obsolete garden office space.

The Mallory: The initial phase of the Eastside Phase II development is nearing completion and includes 280 urban-style apartment homes wrapping a 5-level parking garage on a 4.8 acre lot. Plans are now under review for an additional 384 apartments on the remaining 8.2 acres.

Eastside Art: Work is progressing on the installation of a large-scale public art piece to be located adjacent to the south end of the Mallory property that is being funded through a public-private partnership. This artwork’s grand scale, iconic design, and strategic location ensures that it will be viewed daily by tens of thousands of motorists, DART passengers, cyclists and pedestrians, both day and night. Projected completion is scheduled for spring 2018.

Restaurant Park: A public-private partnership between the City and Hermansen Land Development Inc. facilitated development of Restaurant Park in TIF District #1. The site of the former Continental Inn was purchased from the City as the centerpiece of the Park, which will feature up to seven restaurants gathered around a central plaza that will include a large fountain area and other amenities. The City provided a purchase grant to support redevelopment of the area. The Halal Guys, Dog Haus Biergarten, Even

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Stevens Sandwich Company, and Flying Biscuit Café are all open for business. The second phase of this development is still in planning stages.

The City has also experienced growth in areas outside the TIF Districts. The following are key developments in other parts of the City:

- Palisades Central: JP Partners, KBS Realty Advisors, and GE Capital joined together to develop an 80-acre mixed-use development located on the west side of U.S. 75 across from the Galatyn Park DART rail station. The project includes single family homes, apartments, high-rise office buildings, (almost 500,000 square feet already existing), retail, restaurants, and a full service hotel built around a 4-acre park. Builder K. Hovnanian Homes purchased more than 100 lots for patio homes within the westernmost portion of the development and is presently building and selling homes in Phase 3 of a five phase build-out program. Additionally, Wood Partners is currently nearing completion of more than 560 urban-style apartment homes in two distinct, but complementary apartment communities. Units began leasing in mid-2017.
- Methodist Richardson Medical Center (MRMC): This full-service medical center offers enhanced health care services not only to residents in Richardson, but also Garland, Murphy, Plano, Sachse, Wylie and surrounding areas.

Bush/Renner Campus – The Bush/Renner campus hosts a 330-bed, four-story hospital that employs more than 1,600 professionals, and 500-plus physicians representing more than 40 specialties. This campus also includes ground-level outpatient, imaging and surgical services, a dedicated Women’s Pavilion and an adjacent Cancer Center. Due to increased volume for specialized and acute care services, MRMC is adding two patient floors with 150 all-private patient rooms as well as a surgical operating room and a 500-space parking garage. Construction began in January 2018 with the garage scheduled for completion in the fall of 2018 and the new patient floors scheduled for completion in 2019.

Campbell Road Campus – The Campus for Continuing Care offers acute care services and includes two medical plazas, physician offices, a full-service emergency department and other ancillary services.

- The University of Texas at Dallas:

The campus is located within the City of Richardson and continues to experience growth and upgrades. The Davidson-Gundy Alumni Center opened in September 2017 and is designed as a place to connect students and graduates featuring a ballroom that can accommodate up to 800 people, meeting rooms, office space for staff and outdoor areas with an expansive patio. Construction is currently in progress on the 200,000 square foot Engineering Building which is scheduled for completion in the fall of 2018. Student Housing Phases VI and VII included two apartment-style complexes that added 800 new beds on campus starting with the fall 2017 semester. A new cricket field was completed in the fall of 2017 as well.

Dallas-based developer Wynne Jackson Inc. and Balfour Beatty Campus Solutions partnered with the University of Texas at Dallas to develop the Northside at UTD mixed-use project, located on the north end of the UT Dallas campus. Phase one of the development, completed in the fall of 2016, includes a 313-bed mid-rise apartment and townhome project plus approximately 20,000 square feet of retail space on a 13-acre tract. Phase two of the development is currently under construction and slated for completion in August 2018. Plans for the area include 275 units and about 7,000 square feet of retail space on a 13-acre tract. Zoning approved in 2016 allows for up to 2,000 multi-family units, approximately 519,000 square feet of office space, a hotel and ground floor retail on 51 acres (inclusive of Northside at UTD phase two). Northside at UTD is being developed on land owned by the university that is bisected by the Cotton Belt regional commuter rail line. The Cotton Belt UTD station will be centrally located in the heart of the Northside at UTD development.

These enhancements are part of a campus renovation that has included hundreds of millions of dollars of investment in new and upgraded buildings since 2009. With an enrollment of almost 28,000 students for the fall of 2017, UTD continues to position itself to achieve status as a “Tier One” research university, a designation that would be the first in the Dallas-Fort Worth Metroplex and only the 4th in the State of Texas.

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- Cambria Hotel – Construction has started on a four-story, 119-room limited service hotel on 2.55-acres located at the northeast corner of Infocom Drive and Wyndham Lane.
- Hall Park at Richardson – Developer Craig Hall, in a partnership with Leon Capital, is making plans to begin construction in 2018 of a new 30-acre mixed-use development located at the southwest corner of Custer Parkway and the President George Bush Turnpike. Plans include two 300,000 square foot office buildings, a 10,000 square foot shopping center, 420 apartment units located within seven apartment buildings, and a 1,100-space parking garage. Landscaping plans include a 1.5 acre park oasis which will bring an outdoor destination to Richardson. Site plans and building elevations were approved in December 2017. Construction drawings are presently under review and on-site construction is imminent.
- WaterWalk – MBC Partners in partnership with WaterWalk have started construction on a new hybrid hotel-apartment concept off of Glenville Drive. Plans include a two-building, four-story, 153-room complex. The project is slated for completion in November 2018.
- Jefferson Woods – Irving-based JPI has started construction on two multi-family housing developments near the intersection of North Central Expressway and Glenville Drive. Jefferson Routh Creek with 420 units and Jefferson Routh Woods with 456 units is expected to begin initial occupancy in the summer of 2018 and will feature urban-style architecture with extensive amenities and immediate access to Spring Creek Nature Area.
- Four Points Sheraton – Tulsa-based SNJ Hotels LLC is constructing a 6-story full-service hotel near North Central Expressway and Lookout Drive. Plans include 111-rooms as well as meeting facilities, a fitness center and access to the public trail system.

Long-term Financial Planning

The \$21,611,808 unassigned fund balance in the general fund is the equivalent of 64 days of expenditures and transfers on a budgetary basis. On an annual basis, the City studies a five-year plan for evaluating tax rates and utility rates as they relate to debt financing for capital needs and the operating costs of providing services to citizens.

Major Initiatives

In November 2015, citizens approved a new \$115 million bond program. The 2015 program includes \$67 million for public buildings, including a new Fire Station #3 and a new Public Safety Complex, \$38.6 million for various street improvements, \$2.2 million for various sidewalk replacements, and \$7.2 million for various park improvements, including renovations to the Senior Center and an expansion of trails at the Spring Creek Nature Area.

In 2017, the City issued \$19.725 million in General Obligation Bonds, \$26.245 million in Combination Tax and Revenue Certificates of Obligations and \$10.0 million in Adjustable Rate Combination Tax and Revenue Certificates of Obligation to meet the City's capital needs. Proceeds will be used to implement the second year of the 2015 bond program and supplement the Public Safety Complex by adding a new Fire Station #1 as part of the overall project.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2016. This was the thirty-ninth year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a municipality must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

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September 30, 2017

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the accounting division. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report. In addition, we would like to thank Don Magner, First Assistant City Manager and Cara Copley, Treasurer and Revenue Manager for providing support and guidance.

Special thanks are extended to all members of the City Council for their leadership and support of sound fiscal management.

Sincerely,

Dan Johnson
City Manager

Kent Pfeil
Chief Financial Officer

Keith Dagen, CPA
Director of Finance

Vicki McCarthy, CPA
Controller

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**CITY OF RICHARDSON, TEXAS
PRINCIPAL OFFICIALS
SEPTEMBER 30, 2017**

CITY COUNCIL

PAUL VOELKER, MAYOR
MARK SOLOMON, MAYOR PRO TEM
BOB DUBEY
SCOTT DUNN
MABEL SIMPSON
MARTA GÓMEZ FREY
STEVE MITCHELL

CITY MANAGER

DAN JOHNSON

FIRST ASSISTANT CITY MANAGER

DON MAGNER

CHIEF FINANCIAL OFFICER

KENT PFEIL

DIRECTOR OF FINANCE

KEITH DAGEN



Government Finance Officers Association

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

Presented to

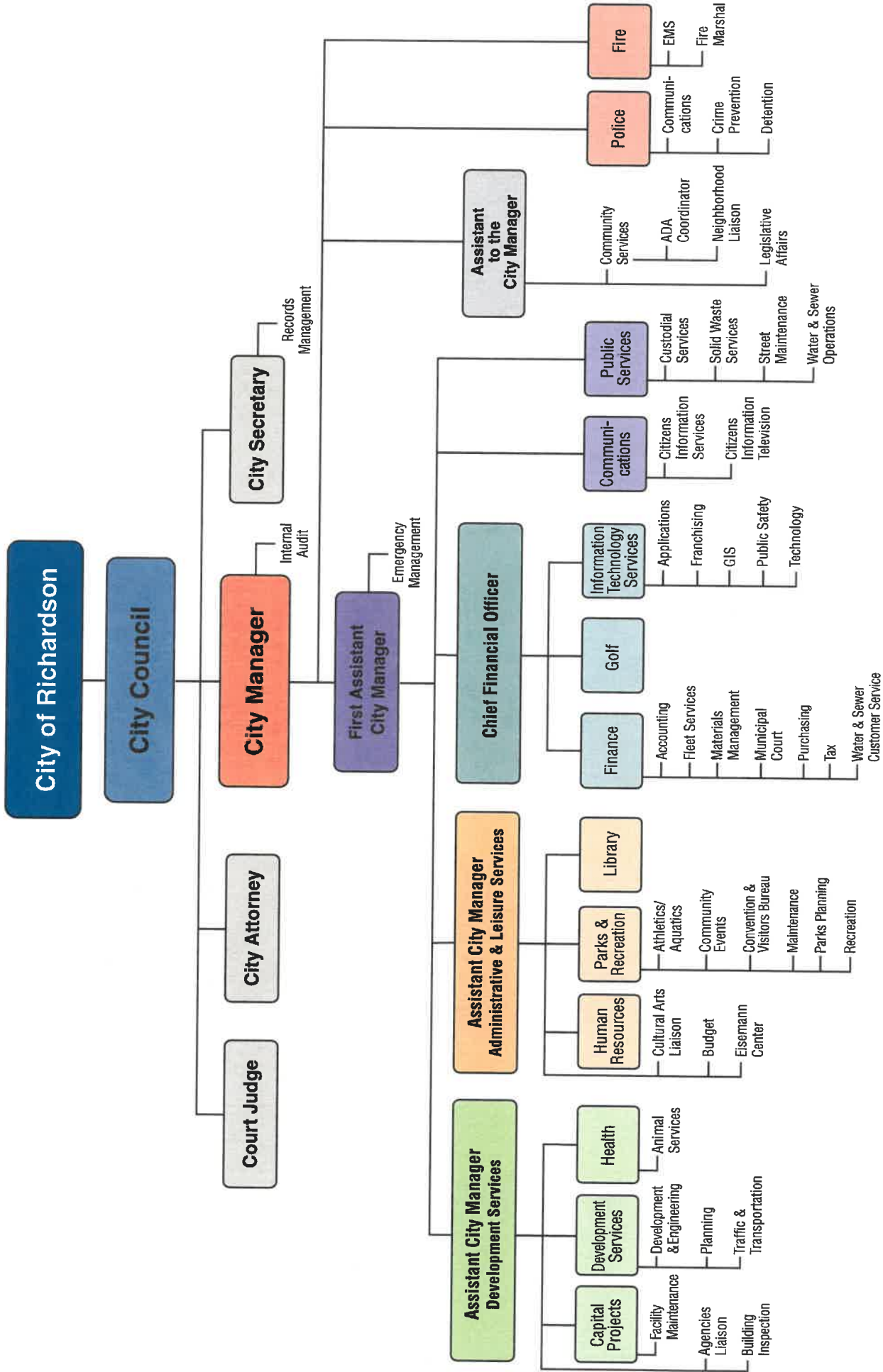
**City of Richardson
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morrill

Executive Director/CEO



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FINANCIAL SECTION

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AUDITORS' REPORT

INDEPENDENT AUDITOR'S REPORT

*Honorable Mayor and Members of City Council,
Richardson, Texas*

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Budgetary Comparison Schedule – General Fund, Schedule of Postemployment Health Care Benefits Funding Progress, Schedule of Employer Contributions - Postemployment and Health Care Benefits, Schedule of Pension Contributions and Schedule of Changes in Net Pension Liability and Related Ratios* on pages 13 – 22, 67, 68, 68, 69, and 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

Supplementary Information

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

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

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Crowe Horwath LLP

Dallas, Texas
February 9, 2018



MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF RICHARDSON, TEXAS
Management's Discussion and Analysis (Unaudited)
September 30, 2017

Management's discussion and analysis provides a narrative overview of the financial activities and changes in the financial position of the City of Richardson, Texas (the City), for the fiscal year ended September 30, 2017. It is offered here by the management of the City to the readers of its financial statements. Readers are encouraged to consider the information presented here in conjunction with the information furnished in our letter of transmittal in the introductory section and the City's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at September 30, 2017 by \$186,716,327 (net position).
- The City's total net position decreased (\$6,361,055). The reasons for this decrease can be found on pages 18-21 of this report.
- At September 30, 2017, the City's governmental funds reported combined ending fund balances of \$93,767,383. The \$21,611,808 unassigned fund balance in the General Fund represents 17% of total General Fund expenditures and transfers out.
- Principal balances of the City's total long-term debt increased by \$49,253,413 (16%) during the current fiscal year (see Table 4). Additional information on the City's long-term debt can be found in Note 9 of the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts; management's discussion and analysis (this section), basic financial statements, required supplementary information and combining statements for nonmajor governmental funds and internal service funds.

The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are Government-Wide Financial Statements that provide information about both the short term and long term financial status of the City as a whole.
- The remaining statements are Fund Financial Statements that focus on individual parts of the City's government, reporting the City's operations in more detail than the Government-Wide statements.
 - ◇ The Governmental Fund Statements take a short term view and demonstrate how general government services like public safety were financed during the course of the fiscal year.
 - ◇ The Proprietary Fund Statements offer both short and long term financial information about the activities the government operates like businesses, such as the water and sewer system.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds and internal service funds, each of which are added together and presented in single columns in the basic financial statements.

Government-Wide Financial Statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. Both are prepared using the economic resources focus and the accrual basis of accounting, meaning that all the current year's revenues and expenses are included regardless of when cash is received or paid.

The Statement of Net Position presents information on all of the City's assets and liabilities, including capital assets and long-term obligations. The difference between the two is reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other indicators of the City's financial position should be taken into consideration, such as the change in the City's property tax base and condition of the City's infrastructure (i.e., roads, drainage systems, water and sewer lines, etc.), in order to more accurately assess the overall financial condition of the City.

CITY OF RICHARDSON, TEXAS
Management's Discussion and Analysis (Unaudited)
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The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. It focuses on both the gross and net costs of the government's various activities and thus summarizes the cost of providing specific government services. This statement includes all current year revenues and expenses.

The Statement of Net Position and the Statement of Activities divide the City's activities into two types:

- *Governmental Activities.* Most of the City's basic services are reported here, including general government, police and fire protection, emergency ambulance service, planning for future land use, traffic control, building inspection, public health, neighborhood integrity, park and recreational activities, cultural events, and library. Property taxes, sales taxes, and franchise taxes provide the majority of the financing for these activities.
- *Business-Type Activities.* Activities for which the City charges customers a fee to pay most or all of the costs of a service it provides are reported here. The City's business-type activities include water distribution and wastewater collection and solid waste collection and disposal.

Fund Financial Statements. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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. These statements focus on the most significant funds and may be used to find more detailed information about the City's most significant activities. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

- *Governmental Funds.* Governmental funds are used to account for the majority of the City's activities, which are essentially the same functions reported as governmental activities in the government-wide 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 spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The focus of the governmental funds financial statements is narrower than that of the government-wide financial statements. Therefore, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison. These reconciliations explain the differences between the government's activities as reported in the government-wide statements and the information presented in the governmental funds financial statements.

The City reports 19 individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, the Debt Service Fund, and the Capital Fund, all of which are considered to be major funds. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

- *Proprietary Funds.* When the City charges customers for services it provides, the activities are generally reported in proprietary funds. The City maintains two different types of proprietary funds: enterprise funds and internal service funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations, solid waste collection and disposal services. These services are primarily provided to outside, or nongovernmental, customers.

Internal service funds accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its warehouse, mail and records management operations, and for its employee health insurance program. Because these services predominantly benefit governmental-type functions rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

CITY OF RICHARDSON, TEXAS
Management's Discussion and Analysis (Unaudited)
September 30, 2017

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations and solid waste collection and disposal. Both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Notes to the Financial Statements. The notes provide additional information that is essential to gain a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, the City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. This report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and healthcare benefits to its employees and retirees.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions and healthcare.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position. Total assets of the City at September 30, 2017 were \$657,694,686, deferred outflows of resources were \$33,395,730, total liabilities were \$504,008,790 and deferred inflows of resources were \$365,299 resulting in a net position balance of \$186,716,327 a (3)% decrease over the previous year (see Table 1).

The largest portion of the City's net position, \$167,347,037 (90%), reflects its investment in capital assets (land and improvements, public art, buildings, infrastructure, vehicles, machinery, and equipment), less any related outstanding debt used to acquire those assets. The City uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City reports its capital assets net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$29,623,810 (16%), represents resources that are subject to external restrictions on how they may be used. The City's unrestricted net position of (\$10,254,520) (-6%) reflects commitments made as part of its post-employment benefits program. More details about these benefits can be found in Note 16 of the financial statements.

The government's overall net position decreased \$(6,361,055) over the prior fiscal year. The reasons for the overall decrease is discussed in the following sections for governmental activities and business-type activities.

CITY OF RICHARDSON, TEXAS
Management's Discussion and Analysis (Unaudited)
September 30, 2017

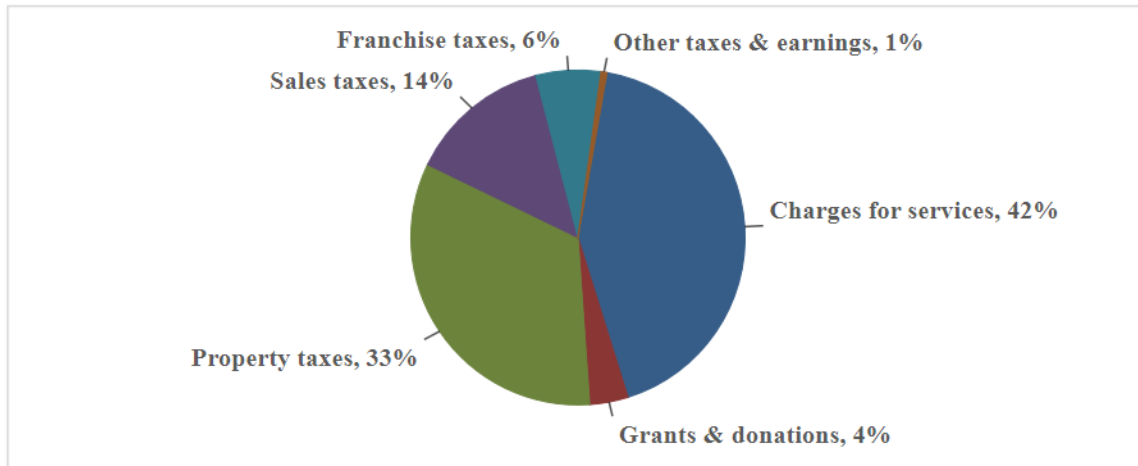
Table 1
City of Richardson
Net Position
(In thousands)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2016-2017
	2017	2016	2017	2016	2017	2016	
Current and other assets	\$ 112,288	\$ 72,791	\$ 38,326	\$ 34,668	\$ 150,614	\$ 107,459	40.2%
Capital assets	404,503	392,401	102,577	102,022	507,080	494,423	2.6%
Total assets	516,791	465,192	140,903	136,690	657,694	601,882	9.3%
Total deferred outflows of resources	27,940	34,528	5,456	6,678	33,396	41,206	(19.0)%
Other liabilities	46,251	44,517	14,651	13,274	60,902	57,791	5.4%
Long term liabilities	383,897	332,257	59,210	58,781	443,107	391,038	13.3%
Total liabilities	430,148	376,774	73,861	72,055	504,009	448,829	12.3%
Total deferred outflows of resources	325	1,023	40	160	365	1,183	(69.1)%
Net Position:							
Net investment in capital assets	110,728	130,402	56,619	55,464	167,347	185,866	(10.0)%
Restricted	26,607	10,682	3,016	3,262	29,623	13,944	112.4%
Unrestricted	(23,077)	(19,160)	12,823	12,427	(10,254)	(6,733)	52.3%
Total net position	\$ 114,258	\$ 121,924	\$ 72,458	\$ 71,153	\$ 186,716	\$ 193,077	(3.3)%

Changes in net position. The City's total revenues increased by 5.5% to \$266,820,736 (see Table 2). The State of Texas only provides limited support to municipalities, so the majority of the City's revenues are generated through local taxes and fees. Approximately 47% of the City's revenue comes from local property and sales tax receipts while fees charged for services makes up 42% of revenue collected (see Figure 1).

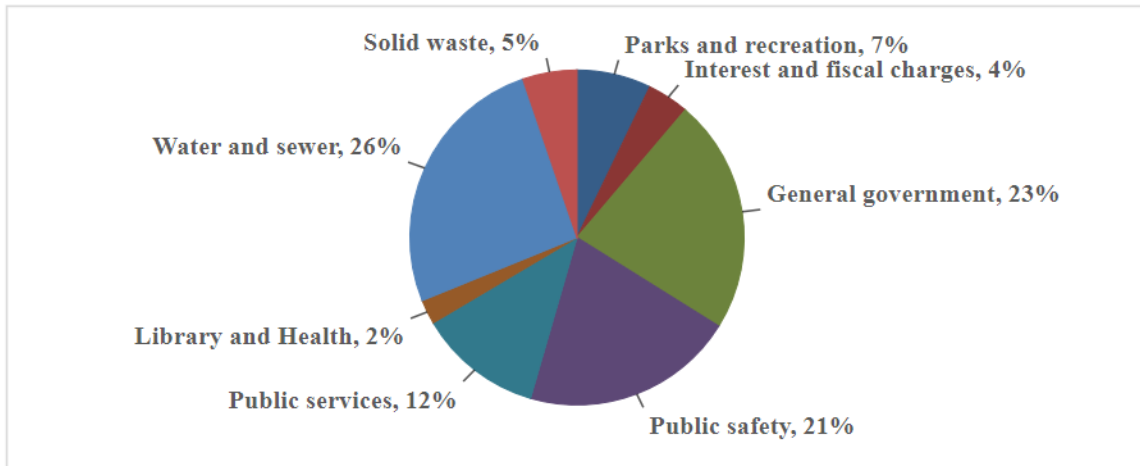
The total cost of all programs and services increased 9.9% to \$273,181,791 (see Table 2). The City's functional expenses cover a range of services with nearly a third attributed to public utilities and 21% attributed to public safety (see Figure 2).

Figure 1 - Sources of Revenue for FY 2017



CITY OF RICHARDSON, TEXAS
Management's Discussion and Analysis (Unaudited)
September 30, 2017

Figure 2 - Functional Expenses for FY 2017



Governmental Activities. Net position decreased (\$7,665,352) . Key revenue and expense transactions are as follows:

- Major revenue increases over the previous year were property tax revenue of \$8,551,378, sales tax revenue of \$2,383,452, franchise tax revenue of \$387,959 and operating and capital grant revenue of \$781,467.
- General government expenditures increased \$15,017,083 over last year due in large part to TIF Fund expenditures related to financial support of new parking facilities located at CityLine.

Business-Type Activities. Business type activities increased net position by \$1,304,297. Key elements to the change in net position are as follows:

- Water sales were lower than anticipated due to more than expected rainfall during the summer months. In FY2017, the City received 38.2” of rainfall compared to the 67.9” received in the previous year and the five-year average rainfall of 41.6”. However, 48% of the rain was received in June through August for 2017 compared to 16% over the same time period. Total revenues of \$68,876,152 are (\$1.2 million) below year-end estimates. Sewer sales finished the year \$194,000 over the year end estimate of \$26.2 million. Total expenditures, excluding transfer, ended the year (\$2.8 million) below year end estimates. Professional services recognized a savings of \$2.0 million and it was primarily related to the Capacity Management Operations Maintenance program (CMOM) where expenses are encumbered for the next year after all services are rendered. Maintenance which includes among other items, the cost of wholesale water and sewer treatment services was \$536,000 below estimates.
- Solid waste fee revenue finished the year \$218,000 over the previous year estimates. Residential revenues were \$69,000 over the \$6 million estimated year end position. Commercial collections finished the year \$158,000 over the estimate of \$7.9 million. Total expenditures and transfers ended the year \$59,000 above the estimate of \$14.7 million. Actual disposal costs of \$37.92 per ton were (\$0.33) lower than original NTMWD estimates. Due to better than expected revenue and expenditure performance, \$450,000 was set aside for solid waste capital support.

CITY OF RICHARDSON, TEXAS
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Table 2
City of Richardson
Changes in Net Position
(In thousands)

	Governmental		Business-type		Total		Total
	Activities	Activities	Activities	Activities	Activities	Activities	Percentage
	2017	2016	2017	2016	2017	2016	2016-2017
Revenues:							
Program revenues:							
Charges for services	\$ 27,568	\$ 32,104	\$ 83,555	\$ 77,259	\$ 111,123	\$ 109,363	1.6 %
Operating grants and contributions	1,821	3,690	-	-	1,821	3,690	(50.7)%
Capital grants and contributions	4,468	1,818	3,457	4,031	7,925	5,849	35.5 %
General revenues:							
Property taxes	87,312	78,761	-	-	87,312	78,761	10.9 %
Sales taxes	36,044	33,660	-	-	36,044	33,660	7.1 %
Franchise taxes	16,446	16,058	-	-	16,446	16,058	2.4 %
Mixed beverage tax	587	543	-	-	587	543	8.1 %
Hotel/motel taxes	4,276	4,436	-	-	4,276	4,436	(3.6)%
Unrestricted interest earnings	724	399	164	109	888	508	74.8 %
Gain on sale of capital assets	323	69	74	80	397	149	166.4 %
Total revenues	179,569	171,538	87,250	81,479	266,819	253,017	5.5 %
Expenses:							
General government	60,771	45,754	-	-	60,771	45,754	32.8 %
Public safety	56,883	54,796	-	-	56,883	54,796	3.8 %
Public services	32,108	34,955	-	-	32,108	34,955	(8.1)%
Library	4,339	4,311	-	-	4,339	4,311	0.6 %
Parks and recreation	19,813	18,987	-	-	19,813	18,987	4.4 %
Public health	2,185	2,054	-	-	2,185	2,054	6.4 %
Interest and fiscal charges	11,136	9,524	-	-	11,136	9,524	16.9 %
Water and sewer	-	-	71,437	63,836	71,437	63,836	11.9 %
Solid waste	-	-	14,509	14,418	14,509	14,418	0.6 %
Total expenses	187,235	170,381	85,946	78,254	273,181	248,635	9.9 %
Increase (decrease) in net position before transfers	(7,666)	1,157	1,304	3,225	(6,362)	4,382	(245.2)%
Increase (decrease) in net position	(7,666)	1,157	1,304	3,225	(6,362)	4,382	(245.2)%
Net position - beginning	121,924	120,767	71,154	67,928	193,078	188,695	2.3 %
Net position - ending	<u>\$ 114,258</u>	<u>\$ 121,924</u>	<u>\$ 72,458</u>	<u>\$ 71,154</u>	<u>\$ 186,716</u>	<u>\$ 193,077</u>	(3.3)%

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

CITY OF RICHARDSON, TEXAS
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As of the end of the current fiscal year, the City's governmental funds reported combined fund balances of \$93,767,383. Approximately 23%, or \$21,611,808, constitutes unassigned fund balance, which is reported in the General Fund. The remainder of fund balance, \$72,155,575 or 77% is not available for general spending.

The General Fund is the chief operating fund of the City. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents approximately 17% of total General Fund expenditures and transfers out, while total fund balance represents 18% of total General Fund expenditures and transfers out.

The General Fund's fund balance increased \$1,733,387 this fiscal year. Total nonspendable fund balance totals \$666,454 which includes Property held for resale representing \$15,000. Assigned fund balance totals \$597,502 and total unassigned fund balance represents \$21,611,808. Property tax increased \$3,488,503 and sales tax revenues increased \$2,383,452 from the previous year's collections. At the same time, public safety expenditures increased \$3,532,539.

The Debt Service Fund has a fund balance of \$2,793,966, all of which is restricted for the payment of debt. The City's financial policy is to maintain an ending fund balance each year of 30 days of expenditures in the Debt Service Fund.

The fund balance in the Capital Fund ended the year at \$54,833,995, of which \$274,020 is nonspendable resources represented by property held for redevelopment. \$46,738,659 of fund balance is restricted for future capital equipment purchases and construction projects, and \$7,821,316 is assigned for various capital projects. The fund balance increased \$34,321,673 due to FY 2017 general obligation and certificate of obligation proceeds for the construction of various capital improvements throughout the City. The Capital Fund also received transfers from the general fund of \$7.9 million to pay for additional special maintenance and other projects.

The Other Governmental Funds had a fund balance increase of \$1,225,650. The major items related to this increase were collection of TIF revenues, Drainage fund fees, Hotel Motel fund facility fees and Economic Development fund fees that were not spent in the current year.

Proprietary Funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of the proprietary funds have already been addressed in the discussion of the City's business-type activities.

Unrestricted net position in the Water and Sewer Fund and the Solid Waste Fund at the end of the year amounted to \$12,914,506 and \$(432,394) respectively. Total net position increased \$727,950 in the Water and Sewer Fund and the Solid Waste Fund increased \$30,413.

General Fund Budgetary Highlights: With better than expected revenue and expenditure performance as detailed below, the City Council made revisions to the budget and increased funding for special maintenance initiatives and other project improvements from \$585,000 to \$3.9 million. Below are the General Government revenue highlights:

- Property Tax revenue was \$201,000 or 0.4% over year end estimates and (-1.4%) below the original budget. Current year taxes finished the year \$281,000 over estimate while prior year taxes and penalties and interest ended the year (\$81,000) below estimates.
- Sales and other business tax revenue finished the year \$818,000 over the year-end estimate of \$35.7 million, but an increase of \$3.1 million from the original budget.
- License and Permit revenue increased \$551,000 over year-end estimates of \$3.7 million. Building permit revenue increased \$566,000 over estimates. Commercial and residential development continued to be a strong economic driver.
- Franchise fee revenue ended the year \$(132,000) below the year-end estimate. Electric, cable television and the water and sewer franchise fees finished the year (\$170,000) below their combined estimate of \$12 million. At the same time telecommunications, natural gas and the solid waste services fees ended the year \$38,000 over their combined estimate of \$4.4 million.

General Government expenditures excluding transfers, finished the year \$2.2 million or (-1.9%) below year-end estimates. The

CITY OF RICHARDSON, TEXAS
Management's Discussion and Analysis (Unaudited)
September 30, 2017

overall positive variance in General Government expenditures was due to the following:

- Personal services expenditures ended the year (\$636,000) or (-0.7%) below year end estimates due to personnel savings across many departments.
- Professional services expenditures ended the year with (\$610,000) or a (-6.4%) savings under the estimate of \$9.5 million.
- Contracts came in (\$121,000) below its estimated position of \$7.3 million.
- Maintenance expenditures were (\$581,000) below estimates and supply expenditures were (\$252,000) below the estimate of \$9.3 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The City's investment in capital assets for its governmental and business-type activities as of September 30, 2017 amounts to \$507,080,013 (net of accumulated depreciation) as shown in Table 3. This investment in capital assets includes land, public art, buildings, improvements, vehicles, machinery and equipment, infrastructure and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was \$12,656,615 (3%).

Major capital asset events during the current fiscal year included the following:

- Equipment and other improvement purchases totaled \$7.3 million.
- Public Safety Campus land purchases totaled \$1.2 million.
- The City completed numerous street, bridge, sidewalk, alley, drainage, traffic and trail projects totaling over \$27.8 million.
- The Water and Sewer Fund completed \$4.2 million in projects, which extended and improved the City's Water and Sewer system.

Table 3
City of Richardson
Capital Assets, net of Accumulated Depreciation
(In thousands)

	Governmental		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 85,069	\$ 82,165	\$ 424	\$ 424	\$ 85,493	\$ 82,589
Public Art	609	442	-	-	609	442
Buildings	71,490	75,112	4,152	4,258	75,642	79,370
Improvements other than buildings	42,856	36,694	1,944	2,285	44,800	38,979
Infrastructure	171,027	156,795	87,567	85,904	258,594	242,699
Vehicles, machinery and equipment	16,226	14,706	7,711	7,294	23,937	22,000
Construction in progress	17,226	26,487	779	1,857	18,005	28,344
Total capital assets, net	<u>\$ 404,503</u>	<u>\$ 392,401</u>	<u>\$ 102,577</u>	<u>\$ 102,022</u>	<u>\$ 507,080</u>	<u>\$ 494,423</u>

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

CITY OF RICHARDSON, TEXAS
Management's Discussion and Analysis (Unaudited)
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Long-Term Debt: At the end of the current fiscal year, the City of Richardson had total bonded debt outstanding of \$265,095,000 as shown in Table 4. Of this amount, \$217,725,000 represents tax-supported bonds, \$47,370,000 represents self-supported bonds. The other obligations of \$88,095,088 in the governmental activities relates to notes payable for computer hardware, a police training facility, TIF economic development grants, and other contractual obligations.

Table 4
City of Richardson
Outstanding Debt
(In thousands)

	<u>Governmental</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
General obligation bonds	\$ 159,740	\$ 154,949	\$ 19,095	\$ 21,566	\$ 178,835	\$ 176,515
Certificates of obligation	57,985	36,735	28,275	25,680	86,260	62,415
Total bonds payable	<u>217,725</u>	<u>191,684</u>	<u>47,370</u>	<u>47,246</u>	<u>265,095</u>	<u>238,930</u>
TIF obligations	86,133	62,452	-	-	86,133	62,452
Other obligations	1,962	2,555	-	-	1,962	2,555
Total outstanding debt	<u>\$ 305,820</u>	<u>\$ 256,691</u>	<u>\$ 47,370</u>	<u>\$ 47,246</u>	<u>\$ 353,190</u>	<u>\$ 303,937</u>

In May 2017, the City issued a total of \$55.97 million in debt to facilitate its ongoing capital program. In addition, the City recognized TIF obligations during the year of \$26.04 million. Details of these transactions, including the purposes of each issue, can be found in Notes 9 and 11 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The City experienced strong property value growth and expects continued value growth as well as higher reappraisal of existing properties throughout FY2017-2018.
- The North Texas Municipal Water District (NTMWD) wholesale water and wastewater rates the City incurs has increased and is expected to continue to increase annually to reflect their maintenance initiatives.

The above indicators were taken into consideration when adopting the FY2017-2018 budgets.

Strong property values associated with growth in the Richardson Telecom Corridor and the North Texas area are expected to increase property tax collections \$9.8 million in FY 2017-2018. The increase in property values will continue to be responsible for funding infrastructure improvements and providing increased resources for public safety from the General Fund FY 2017-2018 budget.

The FY 2017-2018 Water and Sewer Fund budget anticipates an additional rate increase from NTMWD. The wholesale cost of water and sewer treatment services accounts for \$45.6 million or 60.7% of the total expenses in the fund. Water and Sewer revenues reflect a 9.5% increase in retail rates from FY 2016-2017 based on the assumption of normal consumption and normal weather patterns.

The FY 2017-2018 Solid Waste Fund budget includes a 2.2% increase in expenditures over year-end estimates. No rate changes are proposed for either Residential or Commercial collection fees. Revenues are projected to be \$189,000 over year-end estimates.

CITY OF RICHARDSON, TEXAS
Management's Discussion and Analysis (Unaudited)
September 30, 2017

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances. Questions regarding any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, P. O. Box 830309, Richardson, Texas 75083-0309.



BASIC FINANCIAL STATEMENTS

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CITY OF RICHARDSON, TEXAS
Statement of Net Position
September 30, 2017

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 21,552,462	\$ 8,765,355	\$ 30,317,817
Investments	76,926,591	7,000,000	83,926,591
Receivables (net of allowances)	12,894,372	9,529,657	22,424,029
Inventories	508,488	262,567	771,055
Prepaid items	327,989	137,706	465,695
Deposits	129,747	-	129,747
Property held for redevelopment and resale	289,020	-	289,020
Restricted assets:			
Cash and cash equivalents	-	9,239,019	9,239,019
Investments	-	2,994,630	2,994,630
Receivables (net of allowances)	-	57,070	57,070
Internal balances	(340,498)	340,498	-
Capital assets:			
Nondepreciable	102,904,070	1,202,039	104,106,109
Depreciable (net)	301,599,324	101,374,580	402,973,904
Total assets	516,791,565	140,903,121	657,694,686
Deferred outflows of resources			
Pension contributions, investment experience and assumptions	26,575,295	4,675,626	31,250,921
Deferred charge on refundings	1,364,353	780,456	2,144,809
Total deferred outflows of resources	27,939,648	5,456,082	33,395,730
Liabilities:			
Accounts payable	6,108,147	4,120,412	10,228,559
Retainage payable	410,914	-	410,914
Accrued liabilities	1,548,887	615,098	2,163,985
Accrued interest	5,260,069	278,234	5,538,303
Payable from restricted assets:			
Accounts payable	-	583,776	583,776
Retainage payable	-	8,596	8,596
Customer deposits	-	3,295,584	3,295,584
Unearned revenue	1,117,709	-	1,117,709
Money held in escrow	217,347	-	217,347
Non-current liabilities:			
Due within one year:			
Bonds, leases, and contractual obligations	29,088,785	5,597,976	34,686,761
Compensated absences	1,215,008	96,068	1,311,076
Workers' compensation	403,812	55,723	459,535
Unpaid claims liability	879,943	-	879,943
Due in more than one year:			
Bonds, leases, and contractual obligations	293,072,558	44,961,768	338,034,326
Other post employment benefits	23,841,084	3,722,038	27,563,122
Pension	54,988,216	9,661,472	64,649,688
Workers' Compensation	1,059,887	-	1,059,887
Compensated absences	10,935,075	864,604	11,799,679
Total liabilities	430,147,441	73,861,349	504,008,790
Deferred Inflows of Resources			
Deferred charges on refundings	101,852	-	101,852
Pension actuarial experience	223,499	39,948	263,447
Total deferred inflows of resources	325,351	39,948	365,299
Net position:			
Net investment in capital assets	110,727,770	56,619,267	167,347,037
Restricted for:			
Capital projects	20,531,732	2,653,286	23,185,018
Debt service	-	362,743	362,743
General government	5,180,502	-	5,180,502
Public safety	834,079	-	834,079
Parks and recreation	61,468	-	61,468
Unrestricted	(23,077,130)	12,822,610	(10,254,520)
Total net position	\$ 114,258,421	\$ 72,457,906	\$ 186,716,327

See accompanying notes to basic financial statements.

CITY OF RICHARDSON, TEXAS

Statement of Activities

Year ended September 30, 2017

	Program revenues			Net (expense) revenue and changes in net position			
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Function/programs:							
Governmental activities:							
General government	\$ 60,770,743	\$ 6,024,915	\$ 1,725,813	\$ -	\$ (53,020,015)	\$ -	\$ (53,020,015)
Public safety	56,883,247	7,867,365	94,931	50,352	(48,870,599)	-	(48,870,599)
Public services	32,107,826	6,939,582	-	2,645,275	(22,522,969)	-	(22,522,969)
Library	4,338,903	-	-	-	(4,338,903)	-	(4,338,903)
Parks and recreation	19,812,977	6,366,980	-	1,645,215	(11,800,782)	-	(11,800,782)
Public health	2,185,175	369,172	-	127,768	(1,688,235)	-	(1,688,235)
Interest and fiscal charges	11,136,263	-	-	-	(11,136,263)	-	(11,136,263)
Total governmental activities	<u>187,235,134</u>	<u>27,568,014</u>	<u>1,820,744</u>	<u>4,468,610</u>	<u>(153,377,766)</u>	<u>-</u>	<u>(153,377,766)</u>
Business-type activities:							
Water and sewer	71,437,633	68,876,152	-	3,416,165	-	854,684	854,684
Solid waste	14,509,024	14,679,030	-	41,241	-	211,247	211,247
Total business-type activities	<u>85,946,657</u>	<u>83,555,182</u>	<u>-</u>	<u>3,457,406</u>	<u>-</u>	<u>1,065,931</u>	<u>1,065,931</u>
Total primary government	<u>\$ 273,181,791</u>	<u>\$ 111,123,196</u>	<u>\$ 1,820,744</u>	<u>\$ 7,926,016</u>	<u>(153,377,766)</u>	<u>1,065,931</u>	<u>(152,311,835)</u>
General Revenues:							
Property tax					87,312,019	-	87,312,019
Sales tax					36,043,637	-	36,043,637
Franchise tax					16,446,405	-	16,446,405
Mixed beverage and bingo tax					587,331	-	587,331
Hotel/motel tax					4,276,047	-	4,276,047
Unrestricted interest earnings					723,823	164,126	887,949
Gain on sale of assets					323,152	74,240	397,392
Total general revenues					<u>145,712,414</u>	<u>238,366</u>	<u>145,950,780</u>
Change in net position					(7,665,352)	1,304,297	(6,361,055)
Net position - beginning					<u>121,923,773</u>	<u>71,153,609</u>	<u>193,077,382</u>
Net position - ending					<u>\$ 114,258,421</u>	<u>\$ 72,457,906</u>	<u>\$ 186,716,327</u>

See accompanying notes to basic financial statements

CITY OF RICHARDSON, TEXAS
Balance Sheet - Governmental Funds
September 30, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Project Funds</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Assets:					
Cash and cash equivalents	\$ 272,634	\$ 2,793,966	\$ 9,051,797	\$ 5,701,107	\$ 17,819,504
Investments	13,985,661	-	49,940,930	9,000,000	72,926,591
Receivables (net of allowances)	11,533,554	-	575,828	688,697	12,798,079
Due from other funds	101,571	-	-	-	101,571
Inventories	297,759	-	-	-	297,759
Prepaid items	236,195	-	-	62,030	298,225
Deposits	117,500	-	-	-	117,500
Property held for redevelopment and resale	15,000	-	274,020	-	289,020
Total assets	\$ 26,559,874	\$ 2,793,966	\$ 59,842,575	\$ 15,451,834	\$ 104,648,249
Liabilities:					
Accounts payable	\$ 1,215,122	\$ -	\$ 3,643,073	\$ 918,710	\$ 5,776,905
Retainage payable	7,772	-	385,414	17,728	410,914
Accrued liabilities	875,906	-	-	672,981	1,548,887
Due to other funds	-	-	-	101,571	101,571
Unearned revenue	3,270	-	762,746	281,243	1,047,259
Money held in escrow	-	-	217,347	-	217,347
Total liabilities	2,102,070	-	5,008,580	1,992,233	9,102,883
Deferred inflows of resources:					
Unavailable revenue	1,582,040	-	-	195,943	1,777,983
Total deferred inflows of resources	1,582,040	-	-	195,943	1,777,983
Fund balances:					
Nonspendable:					
Property held for redevelopment and resale	15,000	-	274,020	-	289,020
Inventory	297,759	-	-	-	297,759
Deposits	117,500	-	-	-	117,500
Prepaid items	236,195	-	-	62,030	298,225
Restricted for:					
Debt service	-	2,793,966	-	-	2,793,966
Parks and recreation projects	-	-	835,940	-	835,940
Public services	-	-	18,978,311	-	18,978,311
Capital projects	-	-	1,379,232	-	1,379,232
General government	-	-	195,482	4,236,739	4,432,221
Public Safety	-	-	25,349,694	836,806	26,186,500
Committed for:					
General government	-	-	-	1,872,669	1,872,669
Public services	-	-	-	3,208,065	3,208,065
Parks and recreation	-	-	-	195,132	195,132
Assigned for:					
Public services	303,026	-	1,552,719	-	1,855,745
Public safety	34,342	-	-	-	34,342
Parks and recreation	95,545	-	-	83,055	178,600
General government	164,469	-	257,053	2,769,162	3,190,684
Health	120	-	-	-	120
Other capital projects	-	-	6,011,544	-	6,011,544
Unassigned	21,611,808	-	-	-	21,611,808
Total fund balances	22,875,764	2,793,966	54,833,995	13,263,658	93,767,383
Total liabilities, deferred inflows of resources, and fund balances					
	\$ 26,559,874	\$ 2,793,966	\$ 59,842,575	\$ 15,451,834	\$ 104,648,249

See accompanying notes to basic financial statements.

CITY OF RICHARDSON, TEXAS
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 Year ended September 30, 2017

Total fund balances - governmental funds balance sheet	\$ 93,767,383
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	404,429,529
Other amounts are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	28,109,525
Some amounts will not be recongized as revenue until future periods and therefore are deferred in the funds.	(221,071)
A portion of the assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.	6,028,967
Long-term liabilities, including bonds payable, accrued interest, and related deferred charges, are not due and payable in the current period and, therefore, are not reported in the fund.	<u>(417,855,912)</u>
Net position of governmental activities (Note 2(a))	<u><u>\$ 114,258,421</u></u>

CITY OF RICHARDSON, TEXAS
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
Year ended September 30, 2017

	General Fund	Debt Service Fund	Capital Project Funds	Other Governmental Funds	Total
Revenues:					
Property taxes	\$ 48,222,244	\$ 33,028,131	\$ -	\$ 6,066,887	\$ 87,317,262
Franchise taxes	16,196,020	-	-	250,385	16,446,405
Sales tax	36,043,637	-	-	-	36,043,637
Mixed beverage and bingo tax	587,331	-	-	-	587,331
Hotel/motel taxes	-	-	-	4,276,047	4,276,047
Drainage fees	-	-	-	2,753,727	2,753,727
911 revenue	1,170,433	-	-	557,034	1,727,467
Intergovernmental revenue	74,885	-	1,921,479	2,037,161	4,033,525
Licenses and permits	4,253,183	-	-	-	4,253,183
Fines and forfeitures	3,240,172	-	-	221,200	3,461,372
Interest revenue	247,333	57,694	282,493	97,101	684,621
Civic center use	267,742	-	-	-	267,742
Eisemann center revenue	-	-	215,294	2,327,718	2,543,012
Recreation and leisure	4,138,314	-	-	2,197,315	6,335,629
Public safety	2,636,284	-	-	-	2,636,284
Contributions	54,654	-	127,768	11,905	194,327
Other	749,597	256	329,049	319,884	1,398,786
General administration	7,954,923	-	-	-	7,954,923
Total revenues	125,836,752	33,086,081	2,876,083	21,116,364	182,915,280
Expenditures:					
General government	29,184,383	-	1,758,573	30,044,256	60,987,212
Public safety	48,927,267	-	253,989	794,700	49,975,956
Public services	19,280,273	-	2,077,917	778,126	22,136,316
Library	3,488,526	-	255,088	9,975	3,753,589
Parks and recreation	12,606,404	-	767,229	2,069,335	15,442,968
Public health	1,944,157	-	19,843	18,304	1,982,304
General administration	-	-	-	1,058,378	1,058,378
Capital outlay	263,170	-	22,888,118	6,815,222	29,966,510
Debt service:					
Principal retirement	-	24,614,412	-	-	24,614,412
Interest and fiscal charges	276,897	7,955,447	-	2,717,363	10,949,707
Payments for other obligations	217,313	375,454	-	2,360,899	2,953,666
Issuance costs	-	-	508,590	-	508,590
Total expenditures	116,188,390	32,945,313	28,529,347	46,666,558	224,329,608
Excess (deficiency) of revenues over (under) expenditures	9,648,362	140,768	(25,653,264)	(25,550,194)	(41,414,328)
Other financing sources (uses):					
Transfers in	500,526	-	7,863,880	1,245,695	9,610,101
Transfers out	(8,894,692)	-	(203,478)	(511,931)	(9,610,101)
Issuance of certificates of obligation	-	-	30,930,000	-	30,930,000
Issuance of general obligation bonds	-	-	19,725,000	-	19,725,000
Issuance of other obligations	-	-	-	26,042,080	26,042,080
Premium/discount on bonds	-	-	1,659,535	-	1,659,535
Insurance and other recoveries	136,954	-	-	-	136,954
Gain from sale of capital assets	342,237	-	-	-	342,237
Total other financing sources (uses)	(7,914,975)	-	59,974,937	26,775,844	78,835,806
Net change in fund balances	1,733,387	140,768	34,321,673	1,225,650	37,421,478
Fund balances - October 1	21,142,377	2,653,198	20,512,322	12,038,008	56,345,905
Fund balances - September 30	\$ 22,875,764	\$ 2,793,966	\$ 54,833,995	\$ 13,263,658	\$ 93,767,383

See accompanying notes to basic financial statements.

CITY OF RICHARDSON, TEXAS
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
 Balances of Governmental Funds to the Statement of Activities
 Year ended September 30, 2017

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

Net change in fund balances - total governmental funds	\$ 37,421,478
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period. (Note 2(b))	7,793,644
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	4,110,118
The issuance of long-term debt 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 position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is originally issued, whereas these amounts are amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (Note 2(b))	(50,788,536)
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. (Note 2(b))	(9,040,812)
Internal service funds are used by management to charge the costs of central services and insurance to individual funds. The net expense of certain activities of the Internal Service Funds is reported with governmental activities.	<u>2,838,756</u>
Change in net position of governmental activities	<u><u>\$ (7,665,352)</u></u>

See accompanying notes to basic financial statements.

CITY OF RICHARDSON, TEXAS
Statement of Net Position - Proprietary Funds
September 30, 2017

	Business-type activities-enterprise funds			Governmental Activities- Internal Service Funds
	Water and Sewer Fund	Solid Waste Fund	Total	
Assets				
Current assets:				
Cash and cash equivalents	\$ 6,035,118	\$ 2,730,237	\$ 8,765,355	\$ 3,732,958
Investments	7,000,000	-	7,000,000	4,000,000
Receivables (net of allowances)	8,147,131	1,382,526	9,529,657	96,293
Deposits	-	-	-	12,247
Inventories	196,006	66,561	262,567	210,729
Prepaid items	106,300	31,406	137,706	29,764
Restricted assets:				
Cash and cash equivalents	6,888,766	2,350,253	9,239,019	-
Investments	2,994,630	-	2,994,630	-
Other receivables	57,070	-	57,070	-
Total current assets:	<u>31,425,021</u>	<u>6,560,983</u>	<u>37,986,004</u>	<u>8,081,991</u>
Noncurrent assets:				
Capital assets:				
Land	357,950	65,560	423,510	56,011
Improvements	2,291,281	284,023	2,575,304	23,023
Buildings	9,480,126	405,247	9,885,373	259,990
Water and sewer system	212,984,579	-	212,984,579	-
Vehicles, machinery and equipment	18,242,125	14,583,701	32,825,826	288,697
Construction in progress	764,200	14,329	778,529	-
Less accumulated depreciation	(146,125,859)	(10,770,643)	(156,896,502)	(553,856)
Total noncurrent assets	<u>97,994,402</u>	<u>4,582,217</u>	<u>102,576,619</u>	<u>73,865</u>
Total assets	<u>129,419,423</u>	<u>11,143,200</u>	<u>140,562,623</u>	<u>8,155,856</u>
Deferred outflows of resources				
Pension contributions investment experience and assumptions	2,495,863	2,179,763	4,675,626	243,753
Deferred charge on refunding	773,721	6,735	780,456	-
Total deferred outflows of resources	<u>3,269,584</u>	<u>2,186,498</u>	<u>5,456,082</u>	<u>243,753</u>

CITY OF RICHARDSON, TEXAS
Statement of Net Position - Proprietary Funds
September 30, 2017

	<u>Business-type activities-enterprise funds</u>			Governmental Activities- Internal Service Funds
	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>	
Liabilities:				
Current liabilities:				
Accounts payable	\$ 4,012,799	\$ 107,613	\$ 4,120,412	\$ 331,242
Accrued liabilities	558,035	57,063	615,098	-
Accrued interest	246,637	31,597	278,234	-
Unpaid claims liabilities	-	-	-	879,943
Current maturities of bonds, leases and contractual obligations	4,313,397	1,284,579	5,597,976	-
Compensated absences	52,061	44,007	96,068	10,590
Workers' compensation liability	26,183	29,540	55,723	-
Current liabilities payable from restricted assets:				
Accounts payable	557,485	26,291	583,776	-
Retainage payable	8,194	402	8,596	-
Unearned revenue	-	-	-	70,450
Deposits	3,295,584	-	3,295,584	-
Total current liabilities	<u>13,070,375</u>	<u>1,581,092</u>	<u>14,651,467</u>	<u>1,292,225</u>
Noncurrent liabilities:				
Bonds, leases and contractual obligations	39,952,434	5,009,334	44,961,768	-
Other post employment benefits	2,077,960	1,644,078	3,722,038	147,577
Pension liability	5,149,921	4,511,551	9,661,472	492,603
Compensated absences	468,545	396,059	864,604	95,311
Total noncurrent liabilities	<u>47,648,860</u>	<u>11,561,022</u>	<u>59,209,882</u>	<u>735,491</u>
Total liabilities	<u>60,719,235</u>	<u>13,142,114</u>	<u>73,861,349</u>	<u>2,027,716</u>
Deferred inflows of resources				
Pension actuarial experience	21,301	18,647	39,948	2,428
Net position (deficit):				
Net investment in capital assets	57,852,206	(1,232,939)	56,619,267	73,865
Restricted for:				
Capital projects	914,600	1,738,686	2,653,286	-
Debt service	267,159	95,584	362,743	-
Unrestricted	12,914,506	(432,394)	12,482,112	6,295,600
Total net position	<u>\$ 71,948,471</u>	<u>\$ 168,937</u>	72,117,408	<u>\$ 6,369,465</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds			340,498	
Net position of business-type activities			<u>\$ 72,457,906</u>	

See accompanying notes to basic financial statements.

CITY OF RICHARDSON, TEXAS
Statement of Revenue, Expenses and Charges in Fund Net Position - Proprietary Funds
Year Ended September 30, 2017

	<u>Business-type activities-enterprise funds</u>			Governmental Activities- Internal Service Funds
	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>	
Operating revenues:				
Water Sales	\$ 40,959,158	\$ -	\$ 40,959,158	\$ -
Sewer service	26,438,538	-	26,438,538	-
Penalties	847,907	-	847,907	-
Service fees (other)	64,282	-	64,282	-
Antenna rentals	387,669	-	387,669	-
Meter fees	105,764	-	105,764	-
Solid waste fees	-	14,091,756	14,091,756	-
Charges for services	-	-	-	404,729
City and employee contributions	60,343	30,174	90,517	15,980,222
Miscellaneous	12,491	557,100	569,591	232,379
Total operating revenues	<u>68,876,152</u>	<u>14,679,030</u>	<u>83,555,182</u>	<u>16,617,330</u>
Operating expenses:				
Personal services	6,800,918	5,409,974	12,210,892	808,146
Premiums	-	-	-	728,202
Professional and technical services	2,902,707	352,924	3,255,631	735,599
Property services	3,773,233	153,071	3,926,304	88,451
Other purchases services	880,492	392,531	1,273,023	91,959
Insurance claims	-	-	-	10,792,589
Purchase of water	26,680,040	-	26,680,040	-
Purchase of sewage treatment	14,256,944	-	14,256,944	-
Solid waste charges	-	4,102,228	4,102,228	-
General administration	4,482,236	2,190,445	6,672,681	-
Franchise fees	3,369,885	698,104	4,067,989	-
Supplies	2,140,417	337,075	2,477,492	24,908
Depreciation	5,270,464	976,090	6,246,554	1,984
Total operating expenses	<u>70,557,336</u>	<u>14,612,442</u>	<u>85,169,778</u>	<u>13,271,838</u>
Operating income (loss)	<u>(1,681,184)</u>	<u>66,588</u>	<u>(1,614,596)</u>	<u>3,345,492</u>
Nonoperating revenues (expenses):				
Interest revenue	130,428	33,698	164,126	39,198
Interest expense and fiscal charges	(1,126,388)	(142,166)	(1,268,554)	-
Other non-operating charges	(46,499)	(7,760)	(54,259)	-
Gain from sale of capital assets	35,428	38,812	74,240	-
Total nonoperating revenues (expenses)	<u>(1,007,031)</u>	<u>(77,416)</u>	<u>(1,084,447)</u>	<u>39,198</u>
Income (loss) before contributions and transfers	<u>(2,688,215)</u>	<u>(10,828)</u>	<u>(2,699,043)</u>	<u>3,384,690</u>
Capital contributions	<u>3,416,165</u>	<u>41,241</u>	<u>3,457,406</u>	<u>-</u>
Change in net position	<u>727,950</u>	<u>30,413</u>	<u>758,363</u>	<u>3,384,690</u>
Total net position - October 1	<u>71,220,521</u>	<u>138,524</u>		<u>2,984,775</u>
Total net position - September 30	<u>\$ 71,948,471</u>	<u>\$ 168,937</u>		<u>\$ 6,369,465</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds			<u>545,934</u>	
Change in net position of business-type activities			<u>\$ 1,304,297</u>	

See accompanying notes to basic financial statements.

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CITY OF RICHARDSON, TEXAS
Statement of Cash Flows – Proprietary Funds
Year ended September 30, 2017

	<u>Business-type activities-enterprise funds</u>			Governmental Activities- Internal Service Funds
	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>	
Cash flows from operating activities:				
Cash received from customers	\$ 66,922,327	\$ 13,922,955	\$ 80,845,282	\$ —
Cash received from service users	—	—	—	404,730
Cash received from city, employee and other contributions	60,343	30,174	90,517	16,212,600
Cash payments for goods and services	(56,998,054)	(8,138,334)	(65,136,388)	(1,546,789)
Cash payments to employees	(6,094,536)	(4,724,378)	(10,818,914)	(747,209)
Cash payments for claims	—	—	—	(10,965,624)
Cash received from miscellaneous revenues	12,491	557,100	569,591	—
Net cash provided by (used in) operating activities	<u>3,902,571</u>	<u>1,647,517</u>	<u>5,550,088</u>	<u>3,357,708</u>
Cash flows from financing activities:				
Net proceeds from sale of capital assets	35,428	38,812	74,240	—
Bond proceeds and accrued interest	4,668,018	946,691	5,614,709	—
Acquisition and construction of capital assets	(1,874,356)	(1,227,282)	(3,101,638)	(19,838)
Increase in retainage payable	(46,500)	402	(46,098)	—
Principal paid on debt	(3,890,588)	(1,300,000)	(5,190,588)	—
Interest paid on debt	(1,668,915)	(192,196)	(1,861,111)	—
Fiscal charges and bond escrow payments	(46,499)	(7,760)	(54,259)	—
Net cash used in capital and related financing activities	<u>(2,823,412)</u>	<u>(1,741,333)</u>	<u>(4,564,745)</u>	<u>(19,838)</u>
Cash flows from investing activities:				
Purchase of investment securities	(7,000,000)	—	(7,000,000)	(4,000,000)
Proceeds from sale and maturities of investments	14,495,000	1,550,000	16,045,000	1,230,000
Interest received on investments	134,730	33,698	168,428	39,198
Net cash provided by (used in) investing activities	<u>7,629,730</u>	<u>1,583,698</u>	<u>9,213,428</u>	<u>(2,730,802)</u>
Net decrease in cash, restricted cash, and cash equivalents	8,708,889	1,489,882	10,198,771	607,068
Cash, restricted cash, and cash equivalents, October 1	<u>4,214,995</u>	<u>3,590,608</u>	<u>7,805,603</u>	<u>3,125,890</u>
Cash, restricted cash, and cash equivalents, September 30	<u>\$ 12,923,884</u>	<u>\$ 5,080,490</u>	<u>\$ 18,004,374</u>	<u>\$ 3,732,958</u>

See accompanying notes to basic financial statements.

CITY OF RICHARDSON, TEXAS
Statement of Cash Flows – Proprietary Funds
Year ended September 30, 2017

	<u>Business-type activities-enterprise funds</u>			Governmental Activities- Internal Service Funds
	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (1,681,184)	\$ 66,588	\$ (1,614,596)	\$ 3,345,492
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	5,270,464	976,090	6,246,554	1,984
Construction in progress adjustments	8,292	8,572	16,864	—
Provision for uncollectible accounts	31,837	19,554	51,391	—
Changes in assets and liabilities:				
(Increase) decrease in trade accounts receivable (gross)	(2,027,520)	(195,947)	(2,223,467)	—
(Increase) decrease in other receivables	(56,903)	264,393	207,490	119,385
(Increase) decrease in deposits	(58)	—	(58)	—
(Increase) decrease in inventories	(92,748)	(25,417)	(118,165)	8,530
(Increase) decrease in prepaid items	100,736	18,949	119,685	(2,655)
Increase (decrease) in accounts payable	1,482,031	(178,451)	1,303,580	116,456
Increase in unpaid claims liabilities	—	—	—	(298,033)
Increase in unearned revenue	—	—	—	5,612
Increase in deposits payable from restricted assets	193,989	—	193,989	—
Increase (decrease) in compensated absences	(64,710)	38,612	(26,098)	6,791
Increase (decrease) in workers compensation	26,183	(37,058)	(10,875)	—
Increase (decrease) in post-employment benefits	117,910	141,217	259,127	(3,283)
Increase (decrease) in pension liabilities	626,999	542,823	1,169,822	57,429
Increase (decrease) in accrued liabilities	(32,747)	7,592	(25,155)	—
Total adjustments	<u>5,583,755</u>	<u>1,580,929</u>	<u>7,164,684</u>	<u>12,216</u>
Net cash provided by (used in) operating activities	<u>3,902,571</u>	<u>1,647,517</u>	<u>5,550,088</u>	<u>3,357,708</u>
Noncash investing, capital, and financing activities:				
Contributions of capital assets from public	2,868,438	—	2,868,438	—
Contributions of assets from governmental funds	547,727	41,241	588,968	—
Construction payable	564,226	26,693	590,919	—
				Governmental Activities- Internal Service Funds
	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>	
Reconciliation of cash, restricted cash, and cash equivalents to the statement of net position:				
Total unrestricted cash and investments per the statement of net position	13,035,118	2,730,237	15,765,355	7,732,958
Total restricted cash and investments per the statement of net position	6,888,766	2,350,253	9,239,019	—
Total cash and investments per the statement of net position	<u>19,923,884</u>	<u>5,080,490</u>	<u>25,004,374</u>	<u>7,732,958</u>
Less investments not meeting the definition of cash equivalents	<u>(7,000,000)</u>	<u>—</u>	<u>(7,000,000)</u>	<u>(4,000,000)</u>
Cash, restricted cash and cash equivalents as of September 30, 2017	<u>\$ 12,923,884</u>	<u>\$ 5,080,490</u>	<u>\$ 18,004,374</u>	<u>\$ 3,732,958</u>

See accompanying notes to basic financial statements.

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CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2017

1. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Richardson, Texas (the City) is a municipal corporation governed by an elected governing board consisting of a mayor and six council members. As required by accounting principles generally accepted in the United States of America, these financial statements present the financial condition and results of operations and activities of the City for which it is considered to be financially accountable.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America and applicable to state and local governments. These include those principles prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants as published in *Audits of State and Local Governments*.

Blended Component Unit. The Richardson Improvement Corporation (RIC) is a nonprofit corporation that serves the citizens of the City by improving municipal parks and recreational functions, facilitating real estate transactions and serving as an independent foundation for acceptance of corporate donations. The City provides all financial support to RIC and all members of its governing board are appointed by the City Council. Because the services that RIC provides exclusively benefits the City and the RIC operations are so intertwined with those of the City, RIC is in substance a department of the City and has been blended into the City's financial statements in the Other Governmental Funds category and reported as a Special Revenue Fund. Audited financial statements for RIC may be obtained by writing City of Richardson, Attn: Finance Director, PO Box 830309, Richardson, TX 75083-0309.

B. Basis of Presentation

Government-Wide Statements

The two government-wide financial statements, the Statement of Net Position and the Statement of Activities, report information on all the activities of the City. Governmental activities, which include those activities primarily supported by taxes or intergovernmental revenue, are reported separately from business-type activities, which generally rely on fees and charges for support. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The Statement of Activities demonstrates the extent to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include charges to customers and applicants who purchase, use or directly benefit from goods, services or privileges provided by a given program. They also include operating grants, capital grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not included among program revenues are reported as general revenues.

Fund Financial Statements The City segregates transactions related to certain functions or activities in separate funds in order to support financial management and to demonstrate legal compliance. Separate statements are prescribed for governmental activities and for proprietary activities. These statements present each major fund as a separate column on the fund financial statements, while all nonmajor funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The City has presented the following major governmental funds:

General Fund. The General Fund is the main operating fund of the City. The fund is used to account for all the financial resources that are not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Debt Service Fund. The Debt Service Fund is used to account for the accumulation of financial resources for the

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2017

payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is restricted to signify the amounts are exclusively for debt service expenditures.

Capital Fund. The Capital Fund is used to account for funds expended for capital improvements, including streets and thoroughfares, parks and other recreational facilities, buildings and public facilities, drainage improvements, and for the purchase of capital equipment. Funding sources include the proceeds of general obligation bonds and certificates of obligation issued by the City, as well as intergovernmental revenues and contributions.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flows. All assets and liabilities of the proprietary funds are included in the Statement of Net Position. The City has presented the following major proprietary funds:

Water and Sewer Fund. The Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, billing and collection activities, and the operations, maintenance, and construction of the water and sewer systems. The fund also accounts for the accumulation of resources for and the payment of long-term principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure the integrity of the system.

Solid Waste Fund. The Solid Waste Fund is used to account for the operations of solid waste collection and disposal and recycling services provided to the residents of the City. The fund also accounts for the accumulation of resources for and the payment of long-term principal and interest for solid waste debt. All costs are financed through charges to the utility customers.

The City also reports Internal Service Funds that are used to account for warehouse, mail services, and records management operations provided to City departments, and health insurance provided to employees, dependents, and retirees.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Enterprise and Internal Service Funds consider all highly liquid investments (including restricted assets) with maturity of three months or less when purchased to be cash equivalents. Because the City, at its option, can withdraw amounts on a daily basis from TexPool, TexSTAR, Texas Daily, Lone Star, Federated and Invesco Money Market Mutual Funds, these investments are also considered to be cash equivalents.

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position and the operating statement presents increases (revenues) and decreases (expenses) in net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water, sewer, and solid waste collection services. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2017

accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, that is, when they are “measurable and available.” “Measurable” means the amount of the transaction can be determined, and “available” means collectible within the current period. The City considers all revenues available if they are collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. A 30-day availability period is used for revenue recognition for all governmental fund type revenues, except fines and forfeitures, which are accrued using a 45-day availability period, and for grants, which are accrued as revenue as soon as all applicable eligibility requirements have been met.

Expenditures are recorded when the related fund liability is incurred, except for outstanding principal and interest on general long-term debt which is recognized when due, and certain compensated absences, postemployment benefits, and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Those revenues susceptible to accrual are property taxes, franchise fees, sales tax revenues, fines and forfeitures, drainage fees, and interest revenue. Licenses and permits, recreation and leisure fees, public safety, and other revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The City reports unavailable revenue in its governmental funds. Unavailable revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues arise when the City receives resources before it has a legal claim to them, as when grant moneys are received prior to the incidence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the City has a legal claim to the resources, revenue is recognized.

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

Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds.

The Legislature for the state of Texas has enacted and regularly amends the Public Funds Investment Act (Investment Act) that governs items such as investment strategies and policies, training for investment officers, quarterly reporting, and types of investments allowed. The City has developed an Investment Policy that is annually reviewed and approved through resolution by the City Council that is in compliance with the Investment Act. Accordingly, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the state of Texas or its agencies and instrumentalities; (3) obligations of state agencies, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than “A” or its equivalent, and other obligations, the principal and interest of which are unconditionally guaranteed or insured by the state of Texas, or the United States, or its instrumentalities; (4) Joint Investment Pools of political subdivisions in the state of Texas, which comply with the guidelines stated in the City’s investment policy; (5) Certificates of Deposit issued by state or national banks and credit unions domiciled in Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation or secured by obligations mentioned above; (6) fully collateralized direct repurchase agreements having a defined termination date; and (7) no-load money market mutual funds regulated by the Securities and Exchange Commission.

The City is not authorized by its investment policy to invest in banker’s acceptances, “bond” mutual funds, collateralized mortgage obligations of any type, and commercial paper, with the exception that the City may invest in local government investment pools and money market mutual funds that have commercial paper as authorized investments.

Investment transactions are conducted through the depository bank. The City’s safekeeping agent holds all securities in the City’s name.

For fiscal year 2017, the City invested in U.S. Agencies, U.S. Treasuries, TexPool, TexSTAR, Lone Star, Texas Daily, Federated Money Market Funds, Invesco Money Market Funds, LegacyTexas Money Market Funds and Certificates of Deposit. The City records all interest revenue related to investment activities in the respective funds.

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2017

Investments that have a remaining maturity at the time of purchase of over one year are recorded at fair value based on quoted market prices. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. Investments with a remaining maturity at time of purchase of one year or less are recorded at amortized cost. For these investments, amortized cost approximates fair value.

TexPool and TexSTAR were created to conform to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The fair value of positions in TexPool or TexSTAR is the same as the value of the pool shares. Texas Daily was created in 2000 to allow Texas local governments and school districts to pool their funds for investment. Lone Star was created in 1991 by the Texas Association of School boards (TASB) Financial Services. On March 1, 2004, TASB Financial Services became First Public.

For TexPool, the State's Comptroller of Public Accounts is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company (Trust Company), which is authorized to operate TexPool. Pursuant to the TexPool participation agreement, administrative and investment services to TexPool are provided by Federated. The Comptroller maintains oversight of the services provided by TexPool. The TexPool Advisory Board, composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool, acts as advisor on TexPool's Investment Policy.

J.P. Investment Management, Inc. and First Southwest Asset Management, Inc. serve as coadministrators for TexSTAR under an agreement with the TexSTAR board of directors (the Board). The Board is composed of five members, three are representatives of participants in TexSTAR and the other two members are designated by each of the coadministrators. The Board manages the business and affairs of TexSTAR in accordance with its bylaws.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (the current portion of interfund loans) or "advance to/from other funds" (the noncurrent portion of interfund loans). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable on or before January 31 of the following year. All unpaid taxes become delinquent February 1 of the following year. City property taxes are billed and collected by Dallas County or Collin County depending on the county in which the property is located. City property tax revenues are recognized in the period for which they are collected. An allowance is established for delinquent taxes to the extent that their collectability is improbable.

The Statutes of the State of Texas do not prescribe a legal debt limit; however, Article XI, Section 5 of the Texas Constitution applicable to cities with a population of more than 5,000, limits the ad valorem tax rate to \$2.50 per \$100 assessed valuation. For the year ended September 30, 2017, the City's tax rate was \$0.62516 per \$100 assessed valuation.

Inventories and Prepaid Items

Inventories

Inventory consists primarily of supplies, valued at cost, which approximates market. Cost is determined using a weighted-average method. The cost of inventories is recorded as expenditures/expenses when consumed rather than when purchased. Accordingly, fund balance is classified as nonspendable for an amount equal to inventory to signify those funds are not available for expenditure.

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2017

Prepaid Items

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

Property held for Redevelopment and Resale

During FY 2012 the City acquired land which is being held for future economic development. In FY 2017 the City acquired additional land for resale. Total land was recorded at a net realizable value of \$289,020.

Capital Assets

Capital assets, including public domain assets such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and water and sewer systems, are recorded in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements of the proprietary funds. All assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at their approximate acquisition value at the date of donation. The City capitalizes net interest costs as part of the cost of constructing various water and sewer projects when material. In fiscal year 2017, \$258,993 of net interest costs were capitalized in the Water and Sewer Fund. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized, but are recorded as expenditures/expenses as incurred.

Assets are capitalized that have an original cost of \$5,000 or more and an estimated useful life of more than one year. Depreciation has been calculated on each class of depreciable property using the straight-line method, with one-half year's depreciation in the year of acquisition.

Estimated useful lives are as follows:

Land improvements	10 - 50 years
Water and Sewer System	10 - 50 years
Buildings	10 - 50 years
Other improvements	5 - 50 years
Infrastructure	10 - 50 years
Vehicles, machinery and equipment	3 - 20 years

Asset Impairments and Insurance Recoveries

The City has recorded insurance recoveries related to the impairment of capital assets as Program Revenue at the government-wide level, as Other Financing Sources in the Governmental Funds and as Other Nonoperation Revenues in the Enterprise Funds. For the year ended September 30, 2017, the City received \$136,954 in insurance recoveries.

Compensated Absences

The City allows employees to accumulate unlimited unused sick leave. Earned vacation time is generally required to be used within one year of accrual, although the City allows employees to carry up to 20 days of vacation time into the next year. Upon termination, the City pays nonretirees up to 22 days of accumulated sick leave and pays retirees up to 90 days of accumulated sick leave. Sick leave in excess of the 22-day maximum is not paid upon termination to nonretirees and will be paid only upon illness while in the employment of the City. Any accumulated vacation that was not taken due to work-related assignments is paid upon termination, with authorization by the City Manager or his designee. Compensated absences are only reported in Governmental Funds if they are pending maturities owed to separated employees at the end of the reporting period.

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2017

Postemployment Benefits

The City provides postemployment healthcare benefits to all employees who retire from the City. All employees who are vested in the City's pension plan, Texas Municipal Retirement System (TMRS), are eligible for these benefits with 25 years or more of service, regardless of age, or with 5 years or more of service at age 60 and above. Coverage is also available to dependents or surviving spouses of retirees. The City subsidizes medical, dental, and hospitalization costs incurred by retirees and their dependents. Recommendations for plan benefits are presented to City Council for their approval during the annual budget process. The City's plan qualifies as a single-employer, defined benefit plan. Complete details of the plan are listed in note 16.

Long-Term Obligations

General Obligation Bonds and other debt issued for general government capital projects and acquisitions that are to be repaid from tax revenues of the City are recorded in the governmental activities column in the government-wide Statement of Net Position. Debt issued to fund capital projects in the proprietary funds is recorded in the business-type activities column in the government-wide Statement of Net Position and in the proprietary fund Statement of Net Position. Bond premiums and discounts as well as deferred charges on refunded debt obligations are amortized over the life of the bonds using the effective interest method in the government-wide financial statements and in the proprietary funds. Bonds payable are reported net of the applicable bond premiums and discounts.

In the governmental funds, bond premiums and discounts are recognized during the current period. Bond proceeds are reported as other financing sources, as are any applicable premium or discount. Issuance costs are expensed in the current period.

Classifications of Fund Balance

Restricted fund balances in the governmental funds are restricted to specific purposes that are externally imposed by creditors, grantors, contributors or laws or regulations of other governments. Committed fund balances are amounts that can only be used for specific purposes with constraints imposed by the formal action of the City Council's adoption of an ordinance. Assigned fund balances are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assigned fund balances are determined by City management based on City Council direction, in accordance with financial policies adopted by resolution. Unassigned fund balance represents the amount that does not meet the criteria for restricted, committed, or assigned. Nonspendable fund balances represent amounts that cannot be spent because they are legally or contractually required to be maintained.

The City considers an expenditure to be made from the most restrictive resources/funds when more than one classification is available. This may result in certain special revenue funds reporting assigned residual balances if restricted or committed balances, which make up the majority of the fund's resources, have been exhausted.

The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position and or Balance Sheet will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The deferred outflows of resources are reported in the government-wide statement of net position for governmental and business activities and the fund level for the proprietary statement of net position. The City has four items that qualify for reporting in this category. First, the deferred charge on refunded debt results from the difference in the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Second, the City's pension plan contributions made from the measurement date of the pension plan to the current fiscal year end are deferred and will be recognized in the subsequent fiscal year. Third, the difference between projected and actual earnings on pension plan investments

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2017

are deferred and recognized as pension plan expense over a closed five-year period. The fourth item is the difference in the change of assumptions for the pension plan and it is deferred and recognized as pension plan expense over a period of years based on the estimated average remaining service lives of employees that are provided with a pension through the pension plan determined by the plan (active and inactive employees) for the City determined as of the beginning of the measurement date.

In addition to liabilities, the Statement of Net Position and or Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The City has three items that qualify for reporting in this category. At the governmental fund level, revenues that have been billed but not yet collected are reported as unavailable revenues. These amounts are deferred and recognized as an inflow of resources in the period they become available to the City. A deferred inflow of resources is recognized in the government-wide statement of net position for governmental and business activities and the fund level for the proprietary statement of net position for the difference between the expected experience and the actual experience in the actuarial measurement of the total pension liability not recognized in the current year. The amount is deferred and amortized over a period based on the estimated average remaining service lives of employees that are provided with a pension through the pension plan (active and inactive employees) for the City determined as of the beginning of the measurement date. The third item is the deferred charge on refunded debt which results from the difference in the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Minimum Fund Balance Policy

It is the desire of the City to maintain adequate fund balance in the General Fund in order to maintain liquidity and in anticipation of economic downturns or natural disasters. The City Council has adopted a financial policy to maintain a minimum fund balance of 60 days of budgeted expenditures in the General Fund.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt used for the acquisition, construction or improvements of those assets, plus any unspent debt proceeds. The government-wide statement of net position reports \$29,623,810 of restricted net position, of which \$6,076,049 is restricted by enabling legislation.

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2017

2. Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of Certain Differences between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position

The governmental funds Balance Sheet includes reconciliation between fund balances – total governmental funds and net position – governmental activities as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, accrued interest, and related deferred charges, are not due and payable in the current period and therefore are not reported in the funds.”

The details of the \$417,855,912 are as follows:

Bonds payable	\$ 217,725,000
Notes payable and other contractual obligations	88,095,088
Less issuance discount (to be amortized as interest expense)	(23,834)
Add issuance premium (to be amortized as interest expense)	16,365,089
Less deferred charges on refunding, net (to be amortized as interest expense)	(1,262,501)
Accrued interest payable	5,260,069
TMRS pension liability	54,495,613
Postemployment liability	23,693,507
Compensated absences	12,044,182
Workers' compensation liability	<u>1,463,699</u>
Net adjustment to reduce fund balances - total governmental	<u>\$ 417,855,912</u>

B. Explanation of Certain Differences between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between net change in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide Statement of Activities. One element of this reconciliation explains that the “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.” The details of this \$7,793,644 difference are as follows:

Capital Outlay	\$ 29,966,510
Governmental Depreciation Expense	<u>(22,172,866)</u>
Net adjustment to increase fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 7,793,644</u>

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2017

Another element of the reconciliation states “The issuance of long-term debt (e.g., bonds, leases, and notes) 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 position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is originally issued, whereas these amounts are amortized in the Statement of Activities.”

The details of the \$50,788,536 are as follows:

Debt issued or incurred:

General obligations, certificates of obligation, and refunding bonds	\$ (50,655,000)
Notes payable and other contractual obligations	(26,042,079)
Add premium	(1,659,535)

Principal repayments:

General obligation bonds	14,934,412
Certificates of obligation	9,680,000
Notes payable and other contractual obligations	<u>2,953,666</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (50,788,536)</u>

Another element of the reconciliation states, “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.” The details of the \$9,040,812 are as follows:

Amortization of bond premium	\$ 1,718,203
Amortization of bond discount	(1,922)
Amortization of deferred charge on refunded bonds	(245,805)
Accrued interest	(1,148,443)
Pension expenses	(1,042,921)
Other postemployment benefits	(1,281,552)
Compensated absences	(615,967)
Workers compensation	(825,586)
Deferred inflows related to pensions	(6,276,930)
Deferred outflows	<u>680,111</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (9,040,812)</u>

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2017

3. Deposits and Investments

	<u>Bank balance</u>	<u>Book balance</u>
Financial Institution:		
Legacy - City	\$ 4,336,895	\$ 4,063,463
Legacy - RIC	90,746	90,746
Frost - City	108,584	108,584
Legacy - Money Market	4,001,151	4,001,151
TexasTERM CD	7,892,000	7,892,000
Petty Cash	-	13,190
Total	<u>\$ 16,429,376</u>	<u>\$ 16,169,134</u>

Fair Value Measurements

The City categorizes its fair value measurements within the fair market value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The three levels of the fair value hierarchy are described as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets. These types of investments primarily include common stock and equities traded on public exchanges.
- Level 2 - Significant observable inputs for the asset other than quoted prices included within Level 1 that are observable for similar securities, but not exact. These types of investments include US Government obligations and obligations of government agencies.
- Level 3 - Significant unobservable inputs for an asset, as they trade infrequently or not at all. (The City does not value any investments using Level 3 inputs.)

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2017

The City has the following recurring fair value measurements as of September 30, 2017:

	<u>9/30/2017</u>	<u>Inputs</u>			<u>Weighted average maturity (days) (1)</u>
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	
Investments by fair value level					
Debt securities					
Federal Home Loan Bank	\$ 28,991,099	\$ -	\$ 28,991,099	\$ -	156
Federal Farm Credit Bank	10,981,004	-	10,981,004	-	178
Federal Home Loan Mortgage Corporation	11,982,323	-	11,982,323	-	182
Federal National Mortgage Association-Bonds	11,982,595	-	11,982,595	-	219
Total debt securities	<u>63,937,021</u>	<u>-</u>	<u>63,937,021</u>	<u>-</u>	<u>176</u>
U.S. Treasuries	<u>22,984,200</u>	<u>-</u>	<u>22,984,200</u>	<u>-</u>	<u>100</u>
Total investment by fair value level	<u>86,921,221</u>	<u>-</u>	<u>\$ 86,921,221</u>	<u>-</u>	<u>-</u>
Investments measured at net asset value (NAV)					
Federated Money Market Fund	493,510				-
Invesco Money Market Fund	<u>416,110</u>				<u>-</u>
Total investments measured at net asset value (NAV)	<u>909,620</u>				<u>-</u>
Investments measured at amortized cost					
Texas Daily LGIP	3,823,244				-
TexStar LGIP	6,533,367				-
TexPool LGIP	7,296,599				-
Lone Star LGIP	<u>4,824,872</u>				<u>-</u>
Total investments at amortized cost	<u>22,478,082</u>				<u>-</u>
Total investments	<u>\$ 110,308,923</u>				
Portfolio weighted average maturity					<u>123</u>

(1) Amounts shown as zero are less than one day.

The amounts for the Investment Pools (Texpool, Texstar, Lone Star and Texas Daily) and the Money Market Funds (Invesco and Federated) are included for financial reporting purposes in cash and cash equivalents on the Statement of Net Position.

The City's Local Government Investment Pools (LGIPs) listed above qualify to be valued at amortized cost and have no limitations or restrictions on withdrawals.

Credit Risk – Investments. The City's investment policy requires that joint investment pools maintain a continuous rating no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating agency, and that obligations of states, agencies, cities, or other political subdivisions of any state be rated no less than A or an equivalent rating by at least one nationally recognized rating agency. The City's investment policy has no other restrictions relating to credit ratings that would limit its investment options. Moody's has rated investments in Federal Home Loan Bank, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation, as AAA as of September 30, 2017. Standard & Poor's has rated investments in TexPool, TexSTAR, Lone Star, Texas Daily, Invesco Money Market Funds, and Federated Money Market Funds as AAA-m as of September 30, 2017.

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2017

Custodial Credit Risk – Deposits and Investments. For deposits, custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s investment policy follows state statutes, which require that all deposits in financial institutions be fully collateralized or insured. For investments, custodial credit risk is the risk that in the event of the failure of a counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investment policy requires that all investments held by outside parties for safekeeping be held in the name of the City. The City was not exposed to any custodial credit risk during the year.

Interest Rate Risk – Investments. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its operating portfolio to one year or less. The maximum weighted average maturity for the City’s composite portfolio is three years.

Concentration of Credit Risk – Investments. The City’s investment policy does not place a limit on the amount the City may invest in a single issuer, except that the City may not invest more than 25% in an individual investment pool or money market mutual fund. At September 30, 2017, the City’s direct investments are in the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association and Federal Farm Credit Bank. These investments are 23%, 9%, 9% and 9% respectively, of the City’s total investments.

4. Receivables

Receivables at September 30, 2017, for the government’s individual major governmental funds, nonmajor funds, and internal service funds in the aggregate, and for individual major business-type funds, including the applicable allowances for uncollectible accounts, consist of the following:

Governmental Receivables

	General Fund	Capital Project Funds	Other Governmental Funds	Total Governmental Funds
Receivables:				
Taxes - property	\$ 1,252,680	\$ -	\$ -	\$ 1,252,680
Taxes - sales	2,958,322	-	-	2,958,322
Trade accounts	8,410,471	-	666,710	9,077,181
Interest	131,726	109,492	-	241,218
Intergovernmental	-	466,336	23,802	490,138
	12,753,199	575,828	690,512	14,019,539
Gross receivable	12,753,199	575,828	690,512	14,019,539
Less allowance for uncollectibles	(1,219,645)	-	(1,815)	(1,221,460)
	\$ 11,533,554	\$ 575,828	\$ 688,697	\$ 12,798,079
Net receivables	\$ 11,533,554	\$ 575,828	\$ 688,697	\$ 12,798,079

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2017

Business-Type Receivables

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total Business- type Activities</u>	<u>Internal Service Funds</u>
Receivables:				
Trade accounts	\$ 6,685,966	\$ 1,293,602	\$ 7,979,568	\$ 96,293
Other	1,575,881	129,809	1,705,690	-
Interest	2,813	-	2,813	-
	<u>8,264,660</u>	<u>1,423,411</u>	<u>9,688,071</u>	<u>96,293</u>
Gross receivable				
Less allowance for uncollectibles	(117,529)	(40,885)	(158,414)	-
	<u>\$ 8,147,131</u>	<u>\$ 1,382,526</u>	<u>\$ 9,529,657</u>	<u>\$ 96,293</u>
Net receivables				

The Water and Sewer and Solid Waste trade accounts receivable include unbilled charges for services rendered through September 30, 2017.

5. Restricted Assets

Enterprise Funds

At year-end, the following were the restricted assets in the Enterprise Funds:

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>
Debt service - Sinking Fund	\$ 513,757	\$ 127,181	\$ 640,938
Customers' deposits	3,295,809	-	3,295,809
Rate stabilization	1,887,721	-	1,887,721
Capital Project and Equipment Funds	4,243,179	2,223,072	6,466,251
	<u>\$ 9,940,466</u>	<u>\$ 2,350,253</u>	<u>\$ 12,290,719</u>
Total Restricted Assets			

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2017

6. Capital Assets

Capital asset activity for the year ended September 30, 2017 was as follows:

	Beginning balance October 1, 2016	Increases	Decreases	Ending balance September 30, 2017
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 82,164,553	\$ 2,904,264	\$ -	\$ 85,068,817
Public Art	442,311	167,206	-	609,517
Construction in Progress	26,486,969	15,084,600	(24,345,833)	17,225,736
Total capital assets, not being depreciated	<u>109,093,833</u>	<u>18,156,070</u>	<u>(24,345,833)</u>	<u>102,904,070</u>
Capital assets, being depreciated				
Buildings	137,839,733	-	-	137,839,733
Improvements other than Buildings	86,716,902	9,902,323	-	96,619,225
Vehicles, Machinery and Equipment	49,949,498	5,074,596	(1,824,492)	53,199,602
Infrastructure	462,050,602	25,489,686	-	487,540,288
Total capital assets, being depreciated	<u>736,556,735</u>	<u>40,466,605</u>	<u>(1,824,492)</u>	<u>775,198,848</u>
Less accumulated depreciation for:				
Buildings	62,727,777	3,621,737	-	66,349,514
Improvements other than buildings	50,022,945	3,739,894	-	53,762,839
Vehicles, Machinery and Equipment	35,243,680	3,554,726	(1,824,492)	36,973,914
Infrastructure	305,254,764	11,258,493	-	316,513,257
Total accumulated depreciation	<u>453,249,166</u>	<u>22,174,850</u>	<u>(1,824,492)</u>	<u>473,599,524</u>
Total capital assets being depreciated, net	<u>283,307,569</u>	<u>18,291,755</u>	<u>-</u>	<u>301,599,324</u>
Governmental activities capital assets, net	<u>\$ 392,401,402</u>	<u>\$ 36,447,825</u>	<u>\$ (24,345,833)</u>	<u>\$ 404,503,394</u>

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2017

	Beginning balance October 1, 2016	Increases	Decreases	Ending balance September 30, 2017
	<u>2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2017</u>
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 423,510	\$ -	\$ -	\$ 423,510
Construction in progress	<u>1,857,111</u>	<u>3,596,670</u>	<u>(4,675,252)</u>	<u>778,529</u>
Total capital assets, not being depreciated	<u>2,280,621</u>	<u>3,596,670</u>	<u>(4,675,252)</u>	<u>1,202,039</u>
Capital assets, being depreciated				
Buildings	9,885,373	-	-	9,885,373
Improvements other than buildings	2,397,547	177,757	-	2,575,304
Vehicles, machinery and equipment	31,231,598	1,940,824	(346,596)	32,825,826
Infrastructure	<u>207,223,401</u>	<u>5,898,181</u>	<u>(137,003)</u>	<u>212,984,579</u>
Total capital assets, being depreciated	<u>250,737,919</u>	<u>8,016,762</u>	<u>(483,599)</u>	<u>258,271,082</u>
Less accumulated depreciation for:				
Buildings	5,619,531	113,688	-	5,733,219
Improvements other than buildings	181,325	449,395	-	630,720
Vehicles, machinery and equipment	23,937,532	1,523,990	(346,596)	25,114,926
Infrastructure	<u>121,258,156</u>	<u>4,159,481</u>	<u>-</u>	<u>125,417,637</u>
Total accumulated depreciation	<u>150,996,544</u>	<u>6,246,554</u>	<u>(346,596)</u>	<u>156,896,502</u>
Total capital assets being depreciated, net	<u>99,741,375</u>	<u>1,770,208</u>	<u>(137,003)</u>	<u>101,374,580</u>
Business-type activities capital assets, net	<u>\$ 102,021,996</u>	<u>\$ 5,366,878</u>	<u>\$ (4,812,255)</u>	<u>\$ 102,576,619</u>

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:

General government	\$ 5,391,634
Public safety	2,622,754
Public service	9,812,850
Library	358,385
Parks and recreation	3,934,785
Health	52,458
Total governmental funds	<u>22,172,866</u>
Internal service fund - Central Services Fund	<u>1,984</u>
Depreciation expense - governmental activities	<u>\$ 22,174,850</u>

Business-type activities:

Water and sewer	5,270,464
Solid waste	<u>976,090</u>
Depreciation expense - business activities	<u>\$ 6,246,554</u>

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2017

7. Construction Commitments

Outstanding commitments at September 30, 2017, under authorized construction contracts for the Capital Fund, Water and Sewer Fund and Solid Waste Fund, were \$11,371,403, \$638,065, and \$356,425, respectively. These outstanding commitments will be financed by proceeds from bond issues and from revenues such as participation revenue from other governments or developers and operating revenues dedicated to street maintenance.

8. Interfund Receivables, Payables and Transfers

There was an interfund balance at September 30, 2017 between the Federal Grant Fund and the General Fund for \$101,571. This interfund balance was due to timing of receipts from the granting agencies for amounts spent in advance by the grant programs. Individual fund transfers for fiscal year 2016-2017 were as follows:

	Transfers out			
	Governmental funds			Total
	General Fund	Capital Fund	Other Governmental Funds	
Transfers in:				
General	\$ -	\$ -	\$ 500,526	\$ 500,526
Capital	7,850,625	1,850	11,405	7,863,880
Other				
Governmental	1,044,067	201,628	-	1,245,695
Total	\$ 8,894,692	\$ 203,478	\$ 511,931	\$ 9,610,101

General Fund Transfers Out:

- \$7,850,625 to the Capital Fund to be used for future capital improvements and street rehabilitation.
- \$1,044,067 to the Economic Development Fund for funding of economic development projects.

Capital Fund Transfers Out:

- \$121,628 to the Economic Development Fund for economic development projects.
- \$80,000 to the RIC to maintain financial support for the RIC.
- \$1,850 to the General Government - Developers Contracts Payable Fund for City Participation.

Other Governmental Funds Transfers Out:

- \$50,000 to the General Fund from the Child Safety Fund to support the school crossing guard program.
- \$450,000 to the General Fund from the Wireless Fund to support the expenses of the 911 Call Center.
- \$526 to the General Fund from the RIC for Park and Recreation programs.
- \$11,405 to the General Special Projects Fund from the RIC for Park and Recreation programs.

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2017

9. Long-Term Obligations

The following is a summary of financial obligations for the fiscal year ended September 30, 2017:

	Balance beginning of year	Increases	Decreases	Balance end of year	Due within one year
Governmental-type activities:					
General obligation bonds	\$ 154,949,412	\$ 19,725,000	\$ (14,934,412)	\$ 159,740,000	\$ 16,355,000
Certificates of obligation	36,735,000	30,930,000	(9,680,000)	57,985,000	10,330,000
Bond discounts/premiums	16,398,001	1,659,535	(1,716,281)	16,341,255	1,794,497
Total bonds payable	\$ 208,082,413	\$ 52,314,535	\$ (26,330,693)	\$ 234,066,255	\$ 28,479,497
TIF obligation	62,451,680	26,042,079	(2,360,899)	86,132,860	-
Other obligations	2,554,995	-	(592,767)	1,962,228	609,288
Other postemployment benefits	22,562,815	3,609,939	(2,331,670)	23,841,084	-
TMRS - pension liability	53,936,274	15,738,485	(14,686,543)	54,988,216	-
Compensated absences	11,527,325	1,727,632	(1,104,874)	12,150,083	1,215,008
Workers' compensation	638,113	1,254,955	(429,369)	1,463,699	403,812
Unpaid claims liability	1,177,976	9,942,614	(10,240,647)	879,943	879,943
Total governmental-type long-term liabilities	\$ 362,931,591	\$ 110,630,239	\$ (58,077,462)	\$ 415,484,368	\$ 31,587,548
Business-type activities:					
General obligation refunding bonds	21,565,588	-	(2,470,588)	19,095,000	2,615,000
Certificates of obligation	25,680,000	5,315,000	(2,720,000)	28,275,000	2,595,000
Bond discount/premiums	3,261,227	299,709	(371,192)	3,189,744	387,976
Total bonds payable	\$ 50,506,815	\$ 5,614,709	\$ (5,561,780)	\$ 50,559,744	\$ 5,597,976
Other postemployment benefits	3,462,911	586,926	(327,799)	3,722,038	-
TMRS - pension liability	9,477,725	2,749,105	(2,565,358)	9,661,472	-
Compensated absences	986,770	143,614	(169,712)	960,672	96,068
Workers' compensation	66,598	138,269	(149,144)	55,723	55,723
Total business-type long-term liabilities	\$ 64,500,819	\$ 9,232,623	\$ (8,773,793)	\$ 64,959,649	\$ 5,749,767

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2017

Bonds payable at September 30, 2017, are comprised of the following:

General Government

Bonds issued for the General Government are payable from the levy of property taxes assessed against taxable property within the City, as well as a limited pledge of revenues from the Water Fund.

	Interest Rate %	Issue Date	Maturity Date	Original Issue	Outstanding @ 9/30/2017	Due Within One Year
General Obligation Bonds						
2017 General Obligation	3.00 - 4.00	5/04/2017	2/15/2037	\$ 19,725,000	\$ 19,725,000	\$ 450,000
2016 Refunding	2.00 - 5.00	4/15/2016	2/15/2036	16,815,000	15,265,000	1,825,000
2015 Refunding	4.00 - 5.00	3/15/2015	2/15/2026	39,185,000	34,630,000	4,610,000
2013 Refunding	1.50 - 5.00	3/15/2013	2/15/2025	18,000,000	13,915,000	1,720,000
2012 Refunding	2.00 - 4.00	3/15/2012	2/15/2023	6,270,000	3,655,000	665,000
2010 Ref. & Imp.	2.00 - 5.00	6/15/2010	2/15/2030	73,000,000	60,465,000	4,235,000
2010 Ref. & Imp. - Golf	3.00 - 5.00	6/15/2010	6/15/2021	4,365,000	2,065,000	480,000
2009 Refunding	2.00 - 5.00	4/15/2009	2/15/2019	14,460,000	2,405,000	1,430,000
Total general obligation bonds - tax exempt					<u>\$ 152,125,000</u>	<u>\$ 15,415,000</u>
Taxable General Obligation Bonds						
2016B Taxable	3.00 - 3.77	5/04/2017	2/15/2037	5,470,000	5,330,000	205,000
2010A Taxable Refunding	1.15 - 4.05	6/15/2010	2/15/2020	6,105,000	2,285,000	735,000
Total general obligation bonds - taxable					<u>7,615,000</u>	<u>940,000</u>
Total governmental-type general obligation, taxable and tax exempt bonds					<u>159,740,000</u>	<u>16,355,000</u>
Certificates of Obligations						
2017 Certificates	2.00 - 4.00	5/04/2017	2/15/2037	20,930,000	20,930,000	3,435,000
2017A Certificates	2.00 - 4.00	5/04/2017	2/15/2037	10,000,000	10,000,000	3,395,000
2016A Certificates	2.00 - 4.00	4/15/2016	2/15/2024	4,045,000	3,285,000	830,000
2015A Certificates	2.00 - 5.00	3/15/2015	2/15/2035	3,695,000	2,280,000	780,000
2014B Certificates	Adjustable	12/22/2014	6/15/2022	11,425,000	11,425,000	-
2014A Certificates	Adjustable	8/26/2014	6/15/2029	5,600,000	50,000	50,000
2014 Certificates	.75 - 2.00	4/1/2014	2/15/2022	6,900,000	1,280,000	855,000
2013 Certificates	1.50 - 4.00	3/15/2013	2/15/2033	4,290,000	1,035,000	130,000
2012B Certificates	2.00 - 4.00	3/15/2012	2/15/2032	5,775,000	2,065,000	190,000
2011 Certificates	2.00 - 3.25	4/1/2011	2/15/2019	3,085,000	55,000	25,000
2010 Certificates	2.00 - 4.00	6/15/2010	2/15/2025	7,520,000	2,470,000	380,000
2009 Certificates	2.50 - 3.80	4/15/2009	2/15/2023	5,370,000	955,000	145,000
Total certificates of obligation - tax exempt					<u>55,830,000</u>	<u>10,215,000</u>
Taxable Certificates of Obligation						
2015B Certificates	.90 - 4.00	3/15/2015	2/15/2035	2,150,000	2,005,000	85,000
2012A Certificates	1.63 - 3.00	3/15/2012	2/15/2022	275,000	150,000	30,000
Total certificates - taxable					<u>2,155,000</u>	<u>115,000</u>
Total governmental-type certificates of obligation, taxable and tax exempt bonds					<u>57,985,000</u>	<u>10,330,000</u>
Add unamortized premium					16,365,089	1,796,475
Less:						
Unamortized discount					(23,834)	(1,978)
Total general government bonds and certificates of obligation					<u>\$ 234,066,255</u>	<u>\$ 28,479,497</u>

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2017

Business-Type Activities

Bonds issued for business-type activities are secured by a pledge of the property tax levy of the City, but are Self-supporting Obligations which are paid from the respective net revenues of each activity.

	Interest Rate %	Issue Date	Maturity Date	Original Issue	Outstanding @ 9/30/2017	Due Within One Year
Water and Sewer:						
General Obligation Bonds:						
2016A Refunding	3.00 - 5.00	4/15/2016	2/15/2028	\$ 6,185,000	\$ 6,185,000	\$ 255,000
2015 Refunding	3.00 - 5.00	3/15/2015	2/15/2026	2,480,000	2,265,000	215,000
2013 Refunding	1.50 - 5.00	3/15/2013	2/15/2025	2,720,000	2,100,000	255,000
2012 Refunding	2.00 - 4.00	3/15/2012	2/15/2024	8,575,000	5,195,000	865,000
2010 Refunding	4.00 - 5.00	6/15/2010	2/15/2030	4,080,000	1,865,000	430,000
2009 Refunding	2.00 - 5.00	4/15/2009	2/15/2020	5,685,000	1,320,000	545,000
Total water and sewer general obligation bonds					<u>\$ 18,930,000</u>	<u>\$ 2,565,000</u>
Certificates of Obligations:						
2017 Certificates	2.00 - 4.00	5/04/2017	2/15/2037	4,440,000	4,440,000	130,000
2016 Certificates	2.00 - 4.00	4/15/2016	2/15/2036	1,900,000	1,835,000	85,000
2015 Certificates	2.00 - 5.00	3/15/2015	2/15/2035	2,305,000	2,170,000	85,000
2013 Certificates	1.50 - 4.00	3/15/2013	2/15/2033	3,025,000	2,560,000	130,000
2011 Certificates	2.00 - 3.25	4/1/2014	2/15/2031	3,500,000	2,805,000	145,000
2010 Certificates	2.00 - 4.00	6/15/2010	2/15/2030	7,210,000	4,945,000	365,000
2009 Certificates	2.50 - 3.80	4/15/2009	2/15/2029	5,030,000	3,430,000	230,000
2008 Certificates	3.50 - 4.50	4/15/2008	2/15/2028	5,000,000	240,000	240,000
Total water and sewer certificates of obligation					<u>22,425,000</u>	<u>1,410,000</u>
Total water and sewer general obligation refunding bonds and certificates of obligation					<u>41,355,000</u>	<u>3,975,000</u>
Solid Waste						
General Obligation Refunding Bonds:						
2009 Refunding	1.50 - 4.00	4/15/2009	2/15/2021	480,000	165,000	50,000
Certificates of Obligations:						
2017 Certificates	2.00 - 4.00	5/04/2017	2/15/2037	1,000,000	875,000	85,000
2016 Certificates	2.00 - 4.00	4/15/2016	2/15/2024	1,000,000	900,000	115,000
2015 Certificates	2.00 - 5.00	3/15/2015	2/15/2023	850,000	665,000	100,000
2014 Certificates	0.75 - 2.00	4/01/2014	2/15/2022	955,000	630,000	120,000
2013 Certificates	1.50 - 4.00	3/15/2013	2/15/2021	1,000,000	530,000	130,000
2012 Certificates	2.00 - 3.00	3/15/2012	2/15/2021	865,000	345,000	110,000
2011 Certificates	2.00 - 3.25	4/01/2011	2/15/2020	1,380,000	400,000	195,000
2010 Certificates	2.00 - 4.00	6/15/2010	2/15/2019	3,575,000	1,505,000	330,000
Total solid waste certificates of obligation					<u>5,850,000</u>	<u>1,185,000</u>
Total solid waste general obligation refunding bonds and certificates of obligation					<u>6,015,000</u>	<u>1,235,000</u>
Add unamortized premium					3,251,086	391,939
Less:						
Unamortized discount					<u>(61,342)</u>	<u>(3,963)</u>
Total business-type general obligation refunding bonds and certificates of obligation					<u>\$ 50,559,744</u>	<u>\$ 5,597,976</u>

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2017

Debt Service Requirements

Debt service requirements at September 30, 2017 for General Obligation Bonds and Certificates of Obligation are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year ending September 30:				
2018	\$ 26,685,000	\$ 8,809,040	\$ 5,210,000	\$ 1,783,623
2019	23,545,000	7,770,821	5,305,000	1,542,101
2020	21,810,000	6,829,661	4,925,000	1,354,947
2021	20,280,000	5,922,275	4,710,000	1,177,358
2022	18,830,000	5,115,557	4,255,000	1,004,390
2023-2027	60,985,000	15,173,302	14,595,000	2,902,254
2028-2032	30,325,000	4,937,757	6,585,000	756,022
2033-2037	15,265,000	1,261,477	1,785,000	116,485
Totals	<u>\$ 217,725,000</u>	<u>\$ 55,819,890</u>	<u>\$ 47,370,000</u>	<u>\$ 10,637,180</u>

General Obligation Bonds

As part of the City's debt management practices, the City defeased certain Certificates of Obligation and placed the proceeds in an irrevocable trust for all future debt service payments on the previously issued bonds. Accordingly, the related trust assets and liabilities for the defeased bonds are not included in the City's financial statements. At September 30, 2017, there was \$3,105,000 of defeased bonds outstanding.

On May 4, 2017 the City issued \$19,725,000 General Obligation Bonds, Series 2017 with a true interest cost of 3.07%. Proceeds from the sale of the bonds, net of issuance costs of \$245,603, will be used for (1) constructing, improving, renovating, expanding and equipping municipal public buildings and the acquisition of land, (2) acquiring, constructing, improving and maintaining streets, thoroughfares, alleyways and sidewalks within the City including related storm drainage improvements, traffic signalization and signage, traffic management equipment, creek erosion, bridge and culvert improvements and utility relocations and the acquisition of land, (3) acquiring, constructing, improving, expanding, renovating and equipping park and recreation facilities of the City and the acquisition of land, and (4) constructing, improving, extending, repairing sidewalks and related improvements.

Certificates of Obligation

On May 4, 2017, the City issued \$26,245,000 of Combination Tax and Revenue Certificates of Obligation, Series 2017 with a true interest cost of 2.96%. The Water/Sewer Fund issued \$4,440,000 in Certificates, the Solid Waste Fund issued \$875,000 in Certificates and \$20,930,000 in Certificates were issued for the benefit of the Capital Fund, net of issuance cost of \$225,275. The City also issued \$10,000,000 of Adjustable Rate Combination Tax and Revenue Certificates of Obligation, Series 2017A with a variable interest rate, net of issuance cost of \$57,171. Proceeds from the sale of the Certificates will be used for (1) constructing, improving, renovating, expanding and equipping parks and recreation facilities, municipal public buildings, and the acquisition of land and rights-of-way (2) acquiring, constructing, improving and maintaining streets, thoroughfares, alleyways and sidewalks, and the municipal drainage system within the City including related storm drainage improvements, traffic signalization and signage, traffic management equipment, creek erosion, bridge and culvert improvements and utility relocations and the acquisition of land, (3) improving and extending the City's water and sewer system and (4) acquiring equipment and vehicles for police, fire, streets, traffic and transportation, parks and recreation, municipal library, animal services, the municipal golf course, information technology, water and sewer, and solid waste departments.

Ratings

Standard and Poor's Ratings Services assigned its 'AAA' rating with a stable outlook, to the City's Series 2017

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2017

Combination Tax and Revenue Certificates of Obligation and the City's Series 2017 General Obligation Bonds, and Moody's Investors Service (Moody's) also assigned it 'Aaa' rating, with a stable outlook to these issues.

Compensated Absences, Workers' Compensation, Postemployment Benefits, and Arbitrage Rebate Liability

Governmental-type activities record liabilities for compensated absences, workers' compensation claims, and retiree postemployment costs at the government-wide statement level. Generally, the liabilities for compensated absences, workers' compensation claims, and retiree postemployment costs are paid from the General Fund. Liabilities for the Business-type activities are recorded and liquidated in the fund that incurs the liability.

10. Capital Leases and Other Contractual Obligations

The following is a summary of capital leases and other contractual obligation transactions of the City for the fiscal year ended September 30, 2017:

	Governmental-type Activities					Total
	Computer Hardware	Police Academy	CIS	Key Government Finance	Texas Comptroller of Public Accounts	
Balance at October 1, 2016	\$ 285,692	\$ 790,370	\$ 211,311	\$ 238,520	\$ 1,029,102	\$ 2,554,995
Additions/adjustments	-	-	-	-	-	-
Payments	(140,062)	(117,752)	(104,502)	(117,640)	(112,811)	(592,767)
Balance at September 30, 2017	\$ 145,630	\$ 672,618	\$ 106,809	\$ 120,880	\$ 916,291	\$ 1,962,228

Capital Lease

The City entered into a lease agreement with Dell in December 2014. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the date of inception. Leased equipment that meets the City's capitalization threshold of \$5,000 has been included in the capital assets at September 30, 2017. The details of the capital assets are:

The following is a schedule of the lease payments required under the capital lease at September 30, 2017:

	Governmental activities
Total cost	\$ 155,634
Less accumulated depreciation	(97,271)
Book value	\$ 58,363
Governmental activities	
Fiscal year ending, September 30	
2018	\$ 149,942
Less amount representing interest	(4,312)
Present value of minimum lease payments	\$ 145,630

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2017

Other Contractual Obligations

The City entered into an agreement with the City of Plano to develop a police academy to be used as a joint training facility. The City of Richardson and the City of Plano share the costs of improvements to the facilities.

The following is a schedule of future debt maturities relating to these contractual obligations as of September 30, 2017:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2018	\$ 609,288	\$ 38,841	\$ 648,129
2019	237,618	23,755	261,373
2020	228,864	18,521	247,385
2021	214,089	13,596	227,685
2022	218,791	9,119	227,910
2023-2027	453,578	6,599	460,177
Totals	<u>\$ 1,962,228</u>	<u>\$ 110,431</u>	<u>\$ 2,072,659</u>

Other Obligations

During FY 2009 the Texas Comptroller of Public Accounts notified the City regarding an error in sales tax payments made to the City. This error was the result of a local business reporting and paying taxes incorrectly to the State Comptroller from January 1998 through December 2005. The local sales tax overpayment to the City in the amount of \$2,143,331 was recorded as a liability and a reduction of sales tax revenue. The Comptroller's office had set up a 20-year payout arrangement, but the life of the obligation was reduced to approximately 16 years due to an additional payment made in FY 2016. A payment of \$112,811 was made in FY 2016-2017. The balance at September 30, 2017 was \$916,291.

In fiscal year 2015, the City financed \$496,845 with Key Government Finance for the purchase of citywide network enhancements to be paid in annual installments of \$124,211 beginning December 8, 2014 and ending in December 8, 2017. The balance at September 30, 2017 was \$120,880.

During fiscal year 2009-2010, the City entered into an agreement with Computer Information Systems, Inc. (CIS) to purchase public safety records management software. The agreement requires annual installments of \$109,168 beginning October 1, 2010 and ending October 1, 2017. The balance at September 30, 2017 was \$106,809.

11. TIF - Economic Grants

The City has established three tax increment financing districts to facilitate new development and redevelopment within the community. Each district has a base year, and incremental property tax revenues exceeding the base year amount are collected into a special revenue fund. Additionally, other taxing entities may participate in the TIF districts. Each participating entity's governing body sets the percentage of increment that they will contribute to the TIF fund.

The City Council, upon recommendation of the Council-appointed TIF Board for each district, can enter into economic grant agreements with developers which utilize TIF funds. Unlike other contractual obligations, TIF grants are subject to availability of TIF funds, and any balance owed to a developer at the termination of the TIF district will no longer be considered an obligation of the City.

The following table summarizes key statistics of each of the City's TIF districts.

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2017

	DISTRICT		
	1	2	3
Tax Year Established	2006	2011	2011
City's Participation	100%	66.67%	66.67%
Other Tax Entities	Dallas County	Collin County	Collin County
Participating	65%	50%	50%
Tax Year Terminates	2031	2036	2036

An infrastructure reimbursement grant and development agreement was entered into with the City and Centennial Park Richardson, Ltd. in September 2007. This agreement provides for an economic development grant of \$3,299,865 and a construction reimbursement grant of \$5,912,299 plus 7% interest compounded annually until paid in full or termination of the agreement. The company has qualified for both grants. Funding for this grant is contingent upon the availability of tax revenues in the TIF District #1 from Sub Area No. 2. A principal payment of \$117,177 and an interest payment of \$491,495 were made during the fiscal year.

An economic development agreement was entered into with the City and SAF Collins Technology Park, LLC in April 2010. This agreement provides for a maximum grant amount of \$5,000,000 plus 7% interest compounded annually until paid in full or termination of the agreement. The company has qualified for the full grant amount. Funding is contingent upon the availability of tax revenues in the TIF District #1 from Sub Area No. 3, and from tax rebates on business personal property at the site. An interest payment of \$276,927 was made during the fiscal year. \$272,230 of that amount was made from General Fund operations and \$4,697 was made from the TIF Fund. A principal payment in the amount of \$650,743 was made from the TIF Fund.

An infrastructure reimbursement grant and development agreement was entered into with the City and Bush/75 Partners, LP in December 2012. The Agreement was subsequently assigned to BCS TIF Zone Two, LP, the ultimate developer for the project. The agreement provides for the reimbursement of infrastructure projects with an estimated value of \$76,336,000 plus 5% interest annually until paid in full or termination of the agreement. The company has qualified for grants of \$48,296,932 to date. Funding is contingent upon the availability of tax revenues in the TIF District #2. Reimbursement lasts until paid in full or expiration of the TIF zone. Interest payments of \$1,845,223 and a principal payment of \$1,547,286 were made during the fiscal year.

An infrastructure reimbursement grant and development agreement was entered into with the City and BC Station Partners L.P. in March 2015. This agreement provides for approximately \$49,158,000 plus 5% interest annually until paid in full or termination of the agreement. The company has qualified for grants of \$19,678,763 to date. Funding is contingent upon the availability of tax revenues in the TIF District #3. An interest payment of \$153,024 was made during the fiscal year.

An economic development agreement was entered into with the City and AGF Greenville II, Ltd. in April 2015. This agreement provides for a maximum grant amount of \$5,500,000 plus 4% interest annually until paid in full or termination of the agreement. The agreement provides for the reimbursement of eligible costs for the acquisition of the land and demolition of existing improvements on the land. The company has qualified for the full amount of the grant. Funding is contingent upon the availability of tax revenues in the TIF District #1 from Sub Area No. 1B and Sub Area No. 4. An interest payment of \$ 222,924 and a principal payment of \$45,693 was made during the fiscal year.

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2017

The following is a summary of the principal balance of the infrastructure reimbursement grants and development agreements associated with the Tax Increment Financing Districts:

	TIF DISTRICT 1			TIF	TIF	Total
	AGF			DISTRICT 2	DISTRICT 3	
	Centennial Park	Greenville II, Ltd.	Collins Tech Park	BCS TIF Zone 2	BCP TIF LLC Zone 3	
Balance at October 1, 2016	\$ 9,212,164	\$ 5,269,909	\$ 4,488,705	\$ 35,353,010	\$ 8,127,892	\$ 62,451,680
Additions/adjustments	-	-	-	14,491,208	11,550,871	26,042,079
Payments	(117,177)	(45,693)	(650,743)	(1,547,286)	-	(2,360,899)
Balance at September 30, 2017	<u>\$ 9,094,987</u>	<u>\$ 5,224,216</u>	<u>\$ 3,837,962</u>	<u>\$ 48,296,932</u>	<u>\$ 19,678,763</u>	<u>\$ 86,132,860</u>

Other Information

12. Risk Management

The City maintains a self-insured program for workers' compensation. The City utilizes TRISTAR Risk Management as the third party administrator for this program. During fiscal year 2016-2017, a total of \$119,259 was paid in administrative costs that were recorded as an expenditure/expense in the General Fund, Special Revenue Non-Major Fund - Golf, Proprietary Funds and Central Services Fund. In addition, claims and benefits paid in the amounts of \$429,369, and \$149,144 have been recorded as expenditures/expenses in the General Fund and Proprietary Funds, respectively.

The City also maintains a self-insured medical program known as "CORPlan" which is accounted for as an Internal Service Fund. This program provides participants with unlimited health benefit coverage. The City purchases commercial insurance for claims in excess of \$350,000 for each employee in a plan year. In fiscal year 2016-2017, the City received refunds from the commercial insurance carrier in the amount of \$228,855.

All funds with full-time employees participate in the program and make payments to the Insurance Fund based on estimates of the amounts needed to pay prior and current year claims. Accounting standards require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated. The City's consultant estimated the liability to be \$879,943 for unpaid claims and claim adjustment expenses at September 30, 2017. The liability for unpaid claims includes the effects of specific incremental claims, adjustment expenses, and if probable and material, salvage and subrogation. The City currently does not discount its unpaid claims liabilities.

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2017

Reconciliation of Unpaid Claims Liabilities

	2017	2016
Incurring claims and claim adjustment expenses:		
Unpaid claims and claim adjustment expenses at beginning of year	\$ 1,177,976	\$ 1,026,054
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	11,120,591	12,872,516
Increase (decrease) in prior year provision	(181,814)	(572,429)
Total incurred claims and claim adjustment expenses	12,116,753	13,326,141
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	10,240,648	11,694,540
Claims and claim adjustment expenses attributable to insured events of prior years	996,162	453,625
Total payments	11,236,810	12,148,165
Total unpaid claims and claim adjustment expenses at end of year	\$ 879,943	\$ 1,177,976

13. Interfund Charges

The City allocates a percentage of the salaries and wages and related costs of personnel who perform general and administrative services for various funds but are paid from the General Fund. During the year ended September 30, 2017, the City allocated \$7,954,923 for such services.

14. Tax Abatement

Tax Abatements and Economic Incentives

The City enters into economic development agreements designed to promote development and redevelopment within the City, spur economic improvement, stimulate commercial activity, generate additional sales tax and enhance the property tax base and economic vitality of the City. These programs abate or rebate property taxes and sales tax, and also include incentive payments and reductions in fees that are not tied to taxes. The City's economic development agreements are authorized under Chapter 380 of the Texas Local Government Code and Chapter 311 (Tax Increment Financing Act) and 312 (Property Redevelopment and Tax Abatement Act) of the Texas Tax Code. Recipients may be eligible to receive economic assistance based on the employment impact, economic impact or community impact of the project requesting assistance. Recipients receiving assistance generally commit to building or remodeling real property and related infrastructure, demolishing and redeveloping outdated properties, expanding operations, renewing facility leases, or bringing targeted businesses to the City. Agreements generally contain recapture provisions which may require repayment or termination if recipients do not meet the required provisions of the economic incentives.

The City has four categories of economic development agreements:

- Home Improvement Incentive Program – The purpose of this program is to provide an economic incentive under Chapter 380 of the Texas Local Government Code to encourage reinvestment in residential neighborhoods. The property owner commits to making at least \$20,000 in improvements to the residential property within 24 months of entering into the agreement. A one-time incentive payment equal to 10 times the amount of the increase in City taxes will be paid to the property owner based on the property's pre-construction and post-construction appraised value. The City provided \$1,007,354 in incentive payments under this program in fiscal year 2017.
- Tax Abatements – Tax Abatements under Chapter 312 of the Texas Tax Code allow the City to designate tax reinvestment zones and negotiate tax abatement agreements with applicants. These abatement agreements authorize the appraisal districts to reduce the assessed value of the taxpayer's property by a percentage specified in the

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2017

agreement, and the taxpayer will pay taxes on the lower assessed value during the term of the agreement. Property taxes abated under this program were \$2,821,354 in fiscal year 2017.

- **General Economic Development** – The City enters into various agreements under Chapter 380 of the Texas Local Government Code to stimulate economic development. Agreements may rebate a flat amount or percentage of property taxes or sales tax received by the City, may result in fee reductions such as utility charges or building inspection fees, or make lump sum payments to offset moving expenses, tenant finish-outs, demolition costs, infrastructure reimbursements, redevelopment costs or other expenses. For fiscal year 2017, the City rebated \$2,558,801 in taxes, reduced fees by \$3,779,682 and made incentive payments of \$515,028 under these agreements. In addition to financial incentives, the City has committed to construct drainage improvements for one property owner to facilitate new construction.
- **Tax Increment Financing** – The City has adopted three Tax Increment Financing zones (TIFs) under Chapter 311 of the Texas Tax Code. The City enters into economic development and infrastructure reimbursement agreements which earmark TIF revenues for payment to developers and represent obligations over the life of the TIF or until all terms of the agreements have been met. These obligations are more fully described in Note 11. Additionally, the City enters into general economic development agreements under Chapter 380 of the Texas Local Government Code which are funded with TIF resources. The City made \$5,078,262 in payments for TIF obligations, \$240,000 in incentive payments and \$331,014 in property tax rebates from general TIF resources.

15. Contingent Liabilities

Litigation

Various claims and lawsuits are pending against the City. In the opinion of City management and the City's attorneys, the potential loss on all claims and lawsuits will not be significant to the City's financial statements.

Grant Audit

The City receives federal and state grants for specific purposes that are subject to review and audit by federal and state agencies. Such audits could result in a request for reimbursement by the federal and state agencies for expenditures disallowed under the terms and conditions of the grant agreements of the appropriate agency. In the opinion of the City management, such disallowance, if any, will not be significant to the City's financial statements.

16. Postemployment Benefits

A. Retiree Health Benefits

Plan Description

In addition to the pension benefits described in Note 17, the City provides postemployment health-care benefits, in accordance with City policy. All employees who are vested in the City's pension plan, Texas Municipal Retirement System, are eligible for these benefits with 25 years or more of service, regardless of age, or with 5 years of service at age 60 and above. Coverage is also available to dependents or surviving spouses of retirees. Coverage for retirees age 65 and over is provided through a separate, fully insured plan. At September 30, the City had 266 retirees and an additional 193 active employees that are eligible to retire. The City subsidizes medical, dental, and hospitalization costs incurred by retirees and their dependents. Recommendations for plan benefits are presented to City Council for their approval during the annual budget process. The City's plan qualifies as a single-employer, defined benefit plan and is accounted for in the City's Insurance fund as well as the Water and Sewer, Solid Waste, and Central Services funds. A separate financial statement is not issued for the plan.

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2017

Contributions

Effective January 1, 2014, the City contributed \$200 each month to the plan on behalf of each retiree. This amount is capped at that level by council action. Sample contribution rates for retirees under age 65 and their dependents are based on the length of service of the retiree and are shown below.

	<u>Under 15</u>	<u>15 - 19</u>	<u>20+</u>
Years of service:			
Retiree only	\$ 933	\$ 676	\$ 369
Retiree/spouse	1,866	1,271	677
Surviving spouse	1,026	744	462

Contributions to the plan are designed to fund the plan on a pay-as-you-go basis. The City may choose to fund additional amounts to increase the reserves of the Insurance Fund. These amounts would not reduce the actuarial liability of the plan, but would offset a portion of the other postemployment benefits (OPEB) liability in the fund financial statements. For the year ended September 30, 2017, the City contributed \$610,593 and plan participants contributed \$786,151.

Schedule of Actuarial Liabilities and Funding Progress

Actuarial valuations involve the use of estimates and assumptions about the probability of events far into the future, including, but not limited to, assumptions about length of employee service, mortality rates, and future costs of healthcare. The valuation will be updated at least every two years and actual results will be compared with past expectations. As a result of these comparisons, new estimates and assumptions will be made about future results of the plan. Valuations are made based on the benefits in place at the time of the valuation. Any changes in the benefits offered or the contribution rates would impact future valuations. Actuarial techniques include smoothing mechanisms that take a long-term approach in the valuation of assets and liabilities of the plan and are designed to reduce short-term volatility in the measurement of these assets and liabilities.

Actuarial valuation date	12/31/2016
Actuarial-cost method	Individual Entry Age Normal Cost Method
Amortization method	Level percent of payroll
Remaining amortization period	30 years
Asset-valuation method	Amortized cost
Inflation rate	2.5%
Investment rate of return	4.0%
Payroll growth	3.0%
Healthcare trend inflation rate	7.5%

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2017

	2017	2016	2015
Annual OPEB cost:			
Annual required contribution (ARC)	\$ 3,155,836	\$ 3,070,258	\$ 2,980,833
Interest on net OPEB obligation	1,041,029	1,101,345	1,009,953
Adjustment to the ARC	<u>(1,014,137)</u>	<u>(1,020,385)</u>	<u>(935,712)</u>
Annual OPEB cost	3,182,728	3,151,218	3,055,074
Contributions made	<u>(1,645,332)</u>	<u>(1,599,817)</u>	<u>(1,024,180)</u>
Net OPEB obligation	1,537,396	1,551,401	2,030,894
Net OPEB obligation, October 1	<u>26,025,726</u>	<u>24,474,325</u>	<u>22,443,431</u>
Net OPEB obligation, September 30	<u>\$ 27,563,122</u>	<u>\$ 26,025,726</u>	<u>\$ 24,474,325</u>

Percentage of annual OPEB cost contributed	51.7 %	50.8 %	33.5 %
Funding progress:			
Actuarial valuation date		12/31/16	
Actuarial value of assets		-	
Actuarial accrued liability (AAL)		42,172,632	
Funded ratio		-	
Unfunded AAL (UAAL)		42,172,632	
Annual covered payroll		70,066,638	
UAAL as a percentage of covered payroll		60.19 %	

The Schedule of Postemployment Healthcare Benefits, which is found in the Required Supplementary Information immediately 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 for benefits.

COBRA Benefits

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. The federal government outlines certain requirements for this coverage. The premium plus a two percent administration fee is paid in full by the insured on or before the tenth (10th) day of the month for the actual month covered. This program is offered for 18 months after the employee's termination date. The City makes no contribution under this program. There were two participants in the program as of September 30, 2017.

17. Pension Benefits

Plan Description

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

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

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2017

Benefits Provided

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

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

Plan provisions for the City are as follows:

Employee deposit rate	7% of Earnings
City matching rate	200%
Vesting period	5 Years
Retirement years (age/years of service)	60/5, Any/25
Updated service credit	50% (Repeating)
Annuity increase (to retirees)	50% of the change in CPI Repeating

Additional information related to the TMRS Plan is located in the TMRS CAFR.

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	655
Inactive employees entitled to but not yet receiving benefits	375
Active employees	<u>990</u>
Total	2,020

Contributions

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

Employees for the City of Richardson were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Richardson were 13.32% and 14.58% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were \$10,000,938, and were equal to the required contributions.

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2017

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

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

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

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

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Results of the study were adopted in 2015 and first used in the December 31, 2015, actuarial valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation. Assumptions are reviewed annually.

After an Asset Allocation Study conducted in 2015, the TMRS Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a buildingblock method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2017

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)*
Domestic Equity	17.50 %	4.55 %
International Equity	17.50	6.35
Core Fixed Income	10.00	1.00
Non-Core Fixed Income	20.00	4.15
Real Return	10.00	4.15
Real Estate	10.00	4.75
Absolute Return	10.00	4.00
Private Equity	5.00	7.75
Total	100.00 %	

*Net of the inflation assumption.

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute, and was projected over a period of 100 years. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Sensitivity of Discount Rate

The following table presents the sensitivity of the Net Pension Liability to changes in the discount rate when calculating it at 1-percentage-point-lower (5.75%) and 1-percentage-point-higher (7.75%).

Sensitivity of the Net Pension Liability to Changes in the Discount Rate		
1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$131,833,798	\$64,649,688	\$9,057,178

Pension Plan Fiduciary Net Position

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of TMRS (including additions to/deductions from the TMRS's Fiduciary Net Position) have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. The Pension Plan Trust Fund is maintained on the accrual basis of accounting. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2017

**Schedule of Changes in Net Pension Liability and Related Ratios
Current Period**

	<u>Increase (Decrease)</u>
Total pension liability:	
Service Cost	\$ 10,202,479
Interest (on the Total Pension Liability)	31,995,989
Changes of benefit terms	-
Difference between expected and actual experience	648,556
Benefit payments, including refunds of employee contributions	<u>(20,889,414)</u>
Net Change in Total Pension Liability	21,957,610
Total Pension Liability - Beginning	<u>479,358,126</u>
Total Pension Liability - Ending (A)	<u><u>501,315,736</u></u>
Plan Fiduciary Net Position:	
Contributions - Employer	9,073,163
Contributions - Employee	4,767,618
Net Investment Income	28,105,129
Benefit payments, including refunds of employee contributions	(20,889,414)
Administrative expense	(317,470)
Other	<u>(17,105)</u>
Net Change in Plan Fiduciary Net Position	20,721,921
Plan Fiduciary Net Position - Beginning	<u>415,944,127</u>
Plan Fiduciary Net Position - Ending (B)	<u><u>436,666,048</u></u>
Net Pension Liability - Ending (A-B)	<u><u>64,649,688</u></u>
Plan Fiduciary Net Position as Percentage of Total Pension Liability	87.10 %
Covered Payroll	68,061,898
Net Pension Liability as a Percentage of Covered Payroll	94.99 %

*FNP may be off a dollar due to rounding

The net pension liability and the total pension liability were calculated by Gabriel, Roeder, Smith & Company ("GRS"). The measurement date and the actuarial valuation date was December 31, 2016.

CITY OF RICHARDSON, TEXAS

Notes to the Financial Statements

Year ended September 30, 2017

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended September 30, 2017 the City recognized pension expense of \$17,867,933.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 263,447
Net difference between projected and actual earnings on pension plan investments	19,403,424	-
Difference in assumptions	4,302,553	-
Employers's Contributions to the pension plan subsequent to the measurement date	<u>7,544,944</u>	<u>-</u>
Total	<u>\$ 31,250,921</u>	<u>\$ 263,447</u>

Of the \$31,250,921 total for deferred outflows of resources, \$7,544,944 from City contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending 9/30/2018. The remainder of the total net deferred outflows/inflows of resources, \$23,442,530, related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year</u>	<u>Net deferred outflows (inflows) of resources</u>
2018	\$ 8,178,737
2019	8,179,839
2020	6,954,886
2021	122,647
2022	<u>6,421</u>
Total	<u>\$ 23,442,530</u>

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RICHARDSON, TEXAS
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
Year ended September 30, 2017

	Budgeted Amounts		Actual GAAP	Adjustments	Actual Budget	Variance with
	Original	Final	Basis	Budget Basis	Basis	Final Budget- Positive (Negative)
Revenues						
Property taxes	\$ 48,928,554	\$ 48,023,820	\$ 48,222,244	\$ -	\$ 48,222,244	\$ 198,424
Franchise fees	16,077,292	16,328,305	16,196,020	-	16,196,020	(132,285)
Sales tax	32,928,179	35,113,391	36,043,637	(112,811)	35,930,826	817,435
Mixed beverage and bingo tax	532,720	586,671	587,331	-	587,331	660
911 revenue	1,245,984	1,158,048	1,170,433	-	1,170,433	12,385
Intergovernmental revenue	45,510	45,510	74,885	-	74,885	29,375
Licenses and permits	2,940,229	3,702,181	4,253,183	-	4,253,183	551,002
Fines and forfeitures	3,518,828	2,995,533	3,240,172	(96,104)	3,144,068	148,535
Interest revenue	125,000	205,394	247,333	-	247,333	41,939
Civic center use	310,116	264,821	267,742	-	267,742	2,921
Recreation and leisure	4,259,375	4,316,800	4,138,314	-	4,138,314	(178,486)
Public safety	2,639,728	2,587,188	2,636,284	-	2,636,284	49,096
Other	935,065	896,100	749,597	-	749,597	(146,503)
General administration	8,084,831	8,066,201	7,954,923	-	7,954,923	(111,278)
Contributions	104,147	104,147	54,654	-	54,654	(49,493)
Total revenues	<u>122,675,558</u>	<u>124,394,110</u>	<u>125,836,752</u>	<u>(208,915)</u>	<u>125,627,837</u>	<u>1,233,727</u>
Expenditures						
Current:						
General government	29,864,770	30,868,585	29,184,383	327,423	29,511,806	1,356,779
Public safety	49,253,890	49,512,808	48,927,267	(37,354)	48,889,913	622,895
Public services	20,372,014	20,277,761	19,280,273	(303,026)	18,977,247	1,300,514
Library	3,617,184	3,571,853	3,488,526	-	3,488,526	83,327
Parks and recreation	13,230,810	13,018,121	12,606,404	(95,545)	12,510,859	507,262
Public health	1,981,230	2,035,308	1,944,157	(120)	1,944,037	91,271
Capital outlay	-	236,494	263,170	-	263,170	(26,676)
Debt service						
Interest and fiscal charges	-	-	276,897	(276,897)	-	-
Payments for other obligations	-	-	217,313	(217,313)	-	-
Total expenditures	<u>118,319,898</u>	<u>119,520,930</u>	<u>116,188,390</u>	<u>(602,832)</u>	<u>115,585,558</u>	<u>3,935,372</u>
Excess of revenues over expenditures	<u>4,355,660</u>	<u>4,873,180</u>	<u>9,648,362</u>	<u>393,917</u>	<u>10,042,279</u>	<u>5,169,099</u>
Other financing sources (uses)						
Transfers in	500,000	500,000	500,526	-	500,526	526
Transfers out	(4,959,318)	(4,959,318)	(8,894,692)	-	(8,894,692)	(3,935,374)
Gain from sale of capital assets	100,366	100,366	342,237	-	342,237	241,871
Insurance and other recoveries	166,496	166,496	136,954	-	136,954	(29,542)
Total other financing sources (uses)	<u>(4,192,456)</u>	<u>(4,192,456)</u>	<u>(7,914,975)</u>	<u>-</u>	<u>(7,914,975)</u>	<u>(3,722,519)</u>
Net change in fund balance	163,204	680,724	1,733,387	393,917	2,127,304	1,446,580
Fund balances, October 1	<u>17,724,103</u>	<u>18,646,328</u>	<u>21,142,377</u>	<u>(80,801)</u>	<u>21,061,576</u>	<u>2,415,248</u>
Fund balances, September 30	<u>\$ 17,887,307</u>	<u>\$ 19,327,052</u>	<u>\$ 22,875,764</u>	<u>\$ 313,116</u>	<u>\$ 23,188,880</u>	<u>\$ 3,861,828</u>

CITY OF RICHARDSON, TEXAS
 Required Supplementary Information
 Year Ended September 30, 2017

Schedule of Postemployment Health Care Benefits Funding Progress

Actuarial valuation date	City Fiscal Year	(a)	(b)	(c)	(d)	(e)	UAAL as a percentage of covered payroll (d)/(e)
		Actuarial value of assets	Actuarial accrued liability (AAL)	Funded ratio (a)/(b)	Unfunded AAL (UAAL) (b)-(a)	Annual covered payroll	
10/1/2008	2009	\$ -	\$ 47,029,210	-	\$ 47,029,210	\$ 52,621,488	89.37 %
10/1/2008	2010	-	60,896,447	-	60,896,447	53,511,198	113.80
10/1/2009	2011/2012	-	60,087,217	-	60,087,217	58,679,443	102.40
12/31/2012	2013	-	30,657,050	-	30,657,050	(1) 60,109,888	51.00
12/31/2012	2014	-	30,657,050	-	30,657,050	62,548,315	49.01
12/31/2014	2015	-	36,378,434	-	36,378,434	65,295,964	55.71
12/31/2014	2016	-	36,378,434	-	36,378,434	67,329,906	54.03
12/31/2016	2017	-	42,172,632	-	42,172,632	70,066,638	60.19

Schedule of Employer Contributions - Postemployment Health Care Benefits

Year ended September 30	Annual required contributions	Percentage contributed (2)	Net OPEB obligation
2009	\$ 3,536,996	39%	\$ 7,552,269
2010	4,728,225	31	11,883,416
2011	5,134,291	20	16,049,315
2012	5,288,320	24	20,103,582
2013	2,531,878	69	20,962,069
2014	2,607,834	46	22,443,431
2015	2,980,833	34	24,474,325
2016	3,070,258	51	26,025,726
2017	3,155,836	52	27,563,122

(1) Effective January 1, 2014, the City began providing health benefits for its post-65 retirees through a separate, fully insured plan. The City provides a \$200 monthly subsidy for retirees with over 20 years of service. The monthly subsidy of \$200 was capped at that level through Council action. Pre-65 retirees have the choice of three self-insured health plans beginning on January 1, 2014.

(2) Due to changes in healthcare regulations at the national level, the City has chosen to only fund amounts needed to satisfy current year claims at this time. Once the national environment for Health Care stabilizes the City will reevaluate funding strategies.

CITY OF RICHARDSON, TEXAS
 Required Supplementary Information
 Year Ended September 30, 2017

Schedule of Pension Contributions
Last 10 Fiscal Years*

	2017	2016	2015
Actuarially Determined Contribution	\$ 10,000,938	\$ 8,960,805	\$ 9,092,062
Contributions in relation to the actuarially determined contribution	(10,000,938)	(8,960,805)	(9,092,062)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 70,066,638	\$ 67,329,906	\$ 65,295,964
Contributions as a percentage of covered payroll	14.27 %	13.31 %	13.92 %

NOTES TO SCHEDULE OF CONTRIBUTIONS

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

Notes

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 Year smoothed market, 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014

Mortality: RP 2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

Notes: There were no benefit changes during the year.

* Note: The City implemented GASB 68 in FY 2015, therefore the required information for this schedule will be built over the next seven years.

CITY OF RICHARDSON, TEXAS
 Required Supplementary Information
 Year Ended September 30, 2017

**Schedule of Changes in Net Pension Liability and Related Ratios
 Last 10 Calendar Years***

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:			
Service cost	\$ 10,202,479	\$ 9,282,442	\$ 8,595,083
Interest (on the Total Pension Liability)	31,995,989	31,310,006	30,001,418
Differences between expected and actual experience	648,556	(1,241,285)	(142,357)
Change of assumptions	-	7,343,227	-
Benefit payments, including refunds of employee contributions	<u>(20,889,414)</u>	<u>(19,961,687)</u>	<u>(20,245,744)</u>
Net change in Total Pension Liability	21,957,610	26,732,703	18,208,400
Total Pension Liability - Beginning	<u>479,358,126</u>	<u>452,625,423</u>	<u>434,417,023</u>
Total Pension Liability - Ending (A)	<u>\$ 501,315,736</u>	<u>\$ 479,358,126</u>	<u>\$ 452,625,423</u>
Plan fiduciary Net Position			
Contributions - Employer	9,073,163	9,067,267	\$ 9,312,812
Contributions - Employee	4,767,618	4,599,369	4,541,066
Net Investment Income	28,105,129	622,684	23,194,326
Benefit payments, including refunds of employee contributions	(20,889,414)	(19,961,687)	(20,245,744)
Administrative expense	(317,470)	(379,292)	(242,173)
Other	<u>(17,105)</u>	<u>(18,735)</u>	<u>(19,911)</u>
Net change in plan fiduciary net position	20,721,921	(6,070,394)	16,540,376
Plan Fiduciary Net Position - Beginning	<u>415,944,127</u>	<u>422,014,521</u>	<u>405,474,145</u>
Plan Fiduciary Net Position - Ending (B)	<u>\$ 436,666,048</u>	<u>\$ 415,944,127</u>	<u>\$ 422,014,521</u>
Net Pension Liability - Ending (A-B)	<u>\$ 64,649,688</u>	<u>\$ 63,413,999</u>	<u>\$ 30,610,902</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	87.10 %	86.77 %	93.24 %
Covered payroll	\$ 68,061,898	\$ 65,693,151	\$ 64,872,361
Net Pension Liability as a Percentage of Covered Payroll	94.99 %	96.53 %	47.19 %

* The City implemented GASB 68 in FY 2015 therefore the required information for this schedule will be built over the next seven years.

This schedule is based on the actuarial dates of TMRS.

CITY OF RICHARDSON, TEXAS
Notes to the Required Supplementary Information
Year Ended September 30, 2017

(R) Budgetary Information

As set forth in the City Charter, the City Council adopts annual budgets for the General Fund, the Debt Service Fund, Special Revenue Funds, Enterprise Funds, and Internal Service Funds. These annual budget adoptions are prepared in accordance with the basis of accounting utilized by each fund. The budgets for the Enterprise Funds are prepared under a basis consistent with accounting principles generally accepted in the United States, except that depreciation, certain capital expenses, nonoperating income and certain nonoperating expense items are not considered. The legal level of control for each budget is at the fund level. That is to say, that total expenditures for each fund should not exceed total budgeted expenditures for that fund. The City Council is authorized to transfer budgeted amounts within and among departments and ratifies, through the Budget Ordinance, any transfers and/or amendments made by the City Manager. Subsequent to year-end, the Budget Department provides the City Council with the adopted budgets. The Solid Waste and Water and Sewer Funds include amounts for operations and debt service.

	<u>Original Budget</u>	<u>Amended Budget</u>
General	\$ 123,279,216	\$ 124,480,248
Debt Service	33,055,983	33,060,258
Water and Sewer	70,510,348	70,633,492
Solid Waste Services	14,617,334	14,648,618
Golf	2,221,300	2,171,828
Internal Service (Combined)	15,999,329	15,039,850
Special Police	55,000	157,814
State Grants	-	84,383
Federal Grants	-	461,454
Municipal Court Security	97,950	101,492
Traffic Safety	1,525,056	481,957
Wireless 911	471,000	471,000
Judicial Efficiency	14,950	12,825
Hotel/Motel Tax	6,821,165	7,257,685
Technology	68,825	64,146
Tax Increment Financing #1	1,851,743	3,903,730
Tax Increment Financing #2	3,699,922	3,639,482
Tax Increment Financing #3	155,330	153,024
Richardson Improvement Corp.	81,177	51,582
Franchise Peg Fund	50,000	62,000
Drainage Fee Fund	2,461,117	2,756,117
Economic Development Fund	421,628	521,628

CITY OF RICHARDSON, TEXAS
Notes to the Required Supplementary Information
Year Ended September 30, 2017

(R) Budgetary Information

Excess of Expenditures over Appropriations

For the year ended September 30, 2017 expenditures exceeded appropriations by \$2,952 in the Special Police funds. These training expenditures were funded by the state with net proceeds collected from court costs to further police training.

(S) Adjustment to Revenues, Expenditures and Other Financing Sources and Uses from GAAP Basis to Basis of Budgeting

Excess of revenues and other sources over expenditures and other uses-GAAP basis	\$ 1,733,387
Beginning of year adjustment for encumbrances not recognized as expenditures	620,579
End of year adjustment for encumbrances not recognized as expenditures	(17,747)
Reduction in sales tax recognized for GAAP basis	(112,811)
Increase in fines and forfeitures recognized for GAAP basis	<u>(96,104)</u>
Excess of revenues and other sources over expenditures and other uses-budget basis	<u><u>\$ 2,127,304</u></u>



COMBINING FINANCIAL STATEMENTS

CITY OF RICHARDSON, TEXAS
Nonmajor Governmental Funds
September 30, 2017

Special Revenue Funds

Special Revenue Funds are used by the City to account for revenues derived from specific intergovernmental grants, taxes, and proceeds that are designated to finance particular functions or activities of the City. The City has the following Special Revenue Funds:

State Grant Funds - This fund is used to account for restricted proceeds received from the state for various purposes. Funds are to be utilized in accordance with the respective requirements of each program.

Federal Grant Funds - These funds are used to account for restricted proceeds received from federal agencies for various purposes. Funds are to be utilized in accordance with the respective requirements of each program.

Municipal Court Building Security Fund - This fund is used to account for restricted proceeds received from Municipal Court fines for security expenditures as specified by state law.

Technology Fund - This fund is used to account for the Municipal Court technology fee charged to defendants convicted of misdemeanor offenses.

Judicial Efficiency Fund - This fund is used to account for special revenue to be used to improve the efficiency of the administration of justice in the City.

Tax Increment Financing Fund #1 - In 2006, the City Council adopted a Tax Increment Financing Zone. Ad valorem taxes on incremental growth in real property values in the Zone are used to contribute to development in the Zone. The City established a special revenue fund, Tax Increment Financing #1, to record these financial transactions.

Tax Increment Financing Fund #2 - In 2012, the City Council adopted a Tax Increment Financing Zone. Ad valorem taxes on incremental growth in real property values in the Zone are used to contribute to development in the Zone. The City established a special revenue fund, Tax Increment Financing #2, to record these financial transactions.

Tax Increment Financing Fund #3 - In 2012, the City Council adopted a Tax Increment Financing Zone. Ad valorem taxes on incremental growth in real property values in the Zone are used to contribute to development in the Zone. The City established a special revenue fund, Tax Increment Financing #3, to record these financial transactions.

Special Police Funds - These funds are used to account for restricted proceeds received from seizures and confiscations awarded to the City by the judicial system. Funds are to be utilized by the Chief of Police in accordance with state law.

Traffic Safety Fund - This fund is used to account for restricted revenues generated by the City's red light camera enforcement program. Funds are to be utilized for automated signal enforcement, public traffic or pedestrian safety programs, and traffic enforcement and intersection improvements.

Wireless 911 Fund - This fund is used to account for the wireless 911 revenue that is received from the state. Funds are to be spent in accordance with state law.

CITY OF RICHARDSON, TEXAS
Nonmajor Governmental Funds
September 30, 2017

Hotel/Motel Tax Fund - This fund is used to account for the hotel/motel room tax and the operations of the Eisemann Center for the Performing Arts and Corporate Presentations. State law requires that hotel-motel room tax revenues be utilized for advertising and promotion of the City and other specified activities.

PEG Fund - This fund is used to account for restricted revenues received from state-issued cable/video franchises under the Texas Utilities Code. Revenues may be spent on capital cost items for PEG facilities that have a useful life or more than one year and are used in the production of programming for the PEG access channels.

Drainage Fund - This fund was established by the City Council's adoption of an ordinance in November 2011. It is used to account for drainage fee revenues collected. The committed funds are used to provide storm drainage services to all real property.

Richardson Improvement Corporation - The Richardson Improvement Corporation is a legally separate entity that acts, in essence, as a department of the City. The Corporation is a nonprofit entity that serves the citizens of the City by improving municipal parks and recreational functions, facilitating real estate transactions and serving as an independent foundation for acceptance of corporate donations.

Economic Development Fund - This fund was established by the City Council's adoption of an ordinance in September 2014 dedicating a 1/2 cent of the ad valorem tax rate for economic development.

Golf Fund - This fund was established to account for the revenues and expenditures of the City's golf course.

Budget to Actual Comparisons

These schedules present the budget to actual comparisons for funds with legally adopted budgets that have not been presented as part of the Required Supplementary Information. Each comparison schedule shows the original budget amounts, the final adopted budget amounts, and the actual financial results as presented in the financial statements. A column is provided to show unusual items or items that are recorded for GAAP purposes that would not be considered for budgetary purposes. In addition, the variance between the final adopted budget amounts and the actual amounts on a budget basis is presented.

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CITY OF RICHARDSON, TEXAS
Combining Balance Sheet - Nonmajor Governmental Funds
September 30, 2017

	Special Revenue Funds				
	Grant Funds(1)	Municipal Court Funds(1)	Tax Increment Financing Funds(1)	Special Police Funds	Traffic Safety Fund
Assets:					
Current assets:					
Cash and cash equivalents	\$ -	\$ 366,544	\$ 2,035,085	\$ 276,816	\$ 70,144
Investments	-	-	1,000,000	-	-
Receivables (net of allowances)	23,802	-	-	-	-
Prepaid items	-	-	-	-	-
Total assets	\$ 23,802	\$ 366,544	\$ 3,035,085	\$ 276,816	\$ 70,144
Liabilities:					
Current liabilities:					
Accounts payable	\$ 1,051	\$ 800	\$ 1,107	\$ 15,897	\$ 46,034
Retainage payable	-	-	-	-	-
Accrued liabilities	2,455	-	38,596	-	14,605
Due to other funds	20,296	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	23,802	800	39,703	15,897	60,639
Deferred inflows of resources					
Unavailable revenue	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund balances:					
Nonspendable:					
Prepaid items	-	-	-	-	-
Restricted for:					
General government	-	152,828	2,995,382	-	-
Public Safety	-	212,916	-	260,919	9,505
Committed for:					
General government	-	-	-	-	-
Public services	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Assigned for:					
General government	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Total fund balances	-	365,744	2,995,382	260,919	9,505
Total liabilities, deferred inflows of resources, and fund balances	\$ 23,802	\$ 366,544	\$ 3,035,085	\$ 276,816	\$ 70,144

(1) Combined fund statements presented. Detailed fund statements are found immediately following the combining nonmajor governmental funds statements.

CITY OF RICHARDSON, TEXAS
 Combining Balance Sheet - Nonmajor Governmental Funds
 September 30, 2017

Special Revenue Funds

Wireless 911 Fund	Hotel/Motel Tax Fund	PEG Fund	Drainage Fund	Richardson Improvement Corporation	Economic Development Fund	Golf Fund	Total
\$ 353,466	\$ 319,093	\$ 1,088,529	\$ 659,464	\$ 90,746	\$ 172,669	\$ 268,551	\$ 5,701,107
-	3,000,000	-	3,000,000	-	2,000,000	-	9,000,000
-	410,509	-	207,883	17	-	46,486	688,697
-	60,291	-	-	562	-	1,177	62,030
<u>\$ 353,466</u>	<u>\$ 3,789,893</u>	<u>\$ 1,088,529</u>	<u>\$ 3,867,347</u>	<u>\$ 91,325</u>	<u>\$ 2,172,669</u>	<u>\$ 316,214</u>	<u>\$ 15,451,834</u>
\$ -	\$ 310,423	\$ -	\$ 212,827	\$ 7,708	\$ 300,000	\$ 22,863	\$ 918,710
-	9,498	-	8,230	-	-	-	17,728
-	359,276	-	242,282	-	-	15,767	672,981
-	-	-	-	-	-	81,275	101,571
-	281,243	-	-	-	-	-	281,243
-	960,440	-	463,339	7,708	300,000	119,905	1,992,233
-	-	-	195,943	-	-	-	195,943
-	-	-	195,943	-	-	-	195,943
-	60,291	-	-	562	-	1,177	62,030
-	-	1,088,529	-	-	-	-	4,236,739
353,466	-	-	-	-	-	-	836,806
-	-	-	-	-	1,872,669	-	1,872,669
-	-	-	3,208,065	-	-	-	3,208,065
-	-	-	-	-	-	195,132	195,132
-	2,769,162	-	-	-	-	-	2,769,162
-	-	-	-	83,055	-	-	83,055
<u>353,466</u>	<u>2,829,453</u>	<u>1,088,529</u>	<u>3,208,065</u>	<u>83,617</u>	<u>1,872,669</u>	<u>196,309</u>	<u>13,263,658</u>
<u>\$ 353,466</u>	<u>\$ 3,789,893</u>	<u>\$ 1,088,529</u>	<u>\$ 3,867,347</u>	<u>\$ 91,325</u>	<u>\$ 2,172,669</u>	<u>\$ 316,214</u>	<u>\$ 15,451,834</u>

CITY OF RICHARDSON, TEXAS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
Year ended September 30, 2017

	Special Revenue Funds				
	Grant Funds(1)	Municipal Court Funds(1)	Tax		
			Increment Financing Funds(1)	Special Police Funds	Traffic Safety Fund
Revenues:					
Property taxes	\$ -	\$ -	\$ 6,066,887	\$ -	\$ -
Hotel/motel taxes	-	-	-	-	-
Drainage fees	-	-	-	-	-
Eisemann center revenue	-	-	-	-	-
Golf course revenue	-	-	-	-	-
Golf course restaurant	-	-	-	-	-
911 revenue	-	-	-	-	-
Intergovernmental revenue	468,003	-	1,530,330	38,828	-
Franchise taxes	-	-	-	-	-
Fines and forfeitures	-	154,350	-	13,518	53,332
Interest revenue	-	2,364	28,030	1,792	2,557
Contributions	-	-	-	-	-
Other	-	-	137,003	81,993	5
Total revenues	<u>468,003</u>	<u>156,714</u>	<u>7,762,250</u>	<u>136,131</u>	<u>55,894</u>
Expenditures:					
General government	-	66,792	23,088,028	-	-
Parks and recreation	2,250	-	-	-	-
Library	9,975	-	-	-	-
Public health	18,304	-	-	-	-
Public safety	106,551	94,399	-	110,766	470,045
Public services	53,853	-	-	-	-
General administration	-	-	175,000	-	-
Capital outlay	277,070	-	5,338,223	-	-
Debt service:					
Payments for other obligations	-	-	2,360,899	-	-
Interest and fiscal charges	-	-	2,717,363	-	-
Total expenditures	<u>468,003</u>	<u>161,191</u>	<u>33,679,513</u>	<u>110,766</u>	<u>470,045</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(4,477)</u>	<u>(25,917,263)</u>	<u>25,365</u>	<u>(414,151)</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	(50,000)	-
Issuance of other obligations	-	-	26,042,080	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>26,042,080</u>	<u>(50,000)</u>	<u>-</u>
Net change in fund balances	-	(4,477)	124,817	(24,635)	(414,151)
Fund balances, October 1	-	370,221	2,870,565	285,554	423,656
Fund balances, September 30	<u>\$ -</u>	<u>\$ 365,744</u>	<u>\$ 2,995,382</u>	<u>\$ 260,919</u>	<u>\$ 9,505</u>

(1) Combined fund statements presented. Detailed fund statements are found immediately following the combining nonmajor governmental funds statements.

CITY OF RICHARDSON, TEXAS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
Year ended September 30, 2017

Special Revenue Funds

Wireless 911 Fund	Hotel/Motel Tax Fund	PEG Fund	Drainage Fund	Richardson Improvement Corporation	Economic Development Fund	Golf Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,066,887
-	4,276,047	-	-	-	-	-	4,276,047
-	-	-	2,753,727	-	-	-	2,753,727
-	2,327,718	-	-	-	-	-	2,327,718
-	-	-	-	-	-	2,160,620	2,160,620
-	-	-	-	-	-	36,695	36,695
557,034	-	-	-	-	-	-	557,034
-	-	-	-	-	-	-	2,037,161
-	-	250,385	-	-	-	-	250,385
-	-	-	-	-	-	-	221,200
2,157	20,088	6,764	21,239	45	11,400	665	97,101
-	-	-	-	11,905	-	-	11,905
-	81,437	-	-	17	-	19,429	319,884
<u>559,191</u>	<u>6,705,290</u>	<u>257,149</u>	<u>2,774,966</u>	<u>11,967</u>	<u>11,400</u>	<u>2,217,409</u>	<u>21,116,364</u>
-	6,324,579	49,829	-	-	515,028	-	30,044,256
-	-	-	-	35,776	-	2,031,309	2,069,335
-	-	-	-	-	-	-	9,975
-	-	-	-	-	-	-	18,304
12,939	-	-	-	-	-	-	794,700
-	-	-	724,273	-	-	-	778,126
-	-	-	786,117	-	-	97,261	1,058,378
-	574,539	11,999	613,391	-	-	-	6,815,222
-	-	-	-	-	-	-	2,360,899
-	-	-	-	-	-	-	2,717,363
<u>12,939</u>	<u>6,899,118</u>	<u>61,828</u>	<u>2,123,781</u>	<u>35,776</u>	<u>515,028</u>	<u>2,128,570</u>	<u>46,666,558</u>
<u>546,252</u>	<u>(193,828)</u>	<u>195,321</u>	<u>651,185</u>	<u>(23,809)</u>	<u>(503,628)</u>	<u>88,839</u>	<u>(25,550,194)</u>
-	-	-	-	80,000	1,165,695	-	1,245,695
(450,000)	-	-	-	(11,931)	-	-	(511,931)
-	-	-	-	-	-	-	26,042,080
<u>(450,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,069</u>	<u>1,165,695</u>	<u>-</u>	<u>26,775,844</u>
96,252	(193,828)	195,321	651,185	44,260	662,067	88,839	1,225,650
<u>257,214</u>	<u>3,023,281</u>	<u>893,208</u>	<u>2,556,880</u>	<u>39,357</u>	<u>1,210,602</u>	<u>107,470</u>	<u>12,038,008</u>
<u>\$ 353,466</u>	<u>\$ 2,829,453</u>	<u>\$ 1,088,529</u>	<u>\$ 3,208,065</u>	<u>\$ 83,617</u>	<u>\$ 1,872,669</u>	<u>\$ 196,309</u>	<u>\$ 13,263,658</u>

CITY OF RICHARDSON, TEXAS
 Combining Balance Sheet - Nonmajor Governmental Funds - State and Federal Grant Funds
 September 30, 2017

	Special Revenue Funds		
	State Grant	Federal Grant	Total
Assets:			
Intergovernmental receivables	\$ -	\$ 23,802	\$ 23,802
Total assets	\$ -	\$ 23,802	\$ 23,802
Liabilities:			
Accounts payable	\$ -	\$ 1,051	\$ 1,051
Accrued liabilities	-	2,455	2,455
Due to other funds	-	20,296	20,296
Total liabilities	-	23,802	23,802
Fund balances:			
Assigned for:			
Total liabilities and fund balances	\$ -	\$ 23,802	\$ 23,802

CITY OF RICHARDSON, TEXAS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance -
Nonmajor Governmental Funds - State and Federal Grant Funds
Year ended September 30, 2017

	Special Revenue Funds		
	State Grant	Federal Grant	Total
Revenues:			
Intergovernmental revenue	\$ 64,007	\$ 403,996	\$ 468,003
Total revenues	<u>64,007</u>	<u>403,996</u>	<u>468,003</u>
Expenditures:			
Parks and recreation	2,250	-	2,250
Library	-	9,975	9,975
Public health	7,904	10,400	18,304
Public safety	-	106,551	106,551
Public services	53,853	-	53,853
Capital outlay	-	277,070	277,070
Total expenditures	<u>64,007</u>	<u>403,996</u>	<u>468,003</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-
Fund balances, October 1	-	-	-
Fund balances, September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF RICHARDSON, TEXAS
 Budgetary Comparison Schedule - State Grant Fund
 Year ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenue	\$ -	\$ 84,383	\$ 64,007	\$ (20,376)
Total revenues	<u>-</u>	<u>84,383</u>	<u>64,007</u>	<u>(20,376)</u>
Expenditures:				
Parks and recreation	-	2,250	2,250	-
Public health	-	7,676	7,904	(228)
Public services	-	74,457	53,853	20,604
Total expenditures	<u>-</u>	<u>84,383</u>	<u>64,007</u>	<u>20,376</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balances, October 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF RICHARDSON, TEXAS
 Budgetary Comparison Schedule - Federal Grant Fund
 Year ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenue	\$ -	\$ 461,454	\$ 403,996	\$ (57,458)
Total revenues	<u>-</u>	<u>461,454</u>	<u>403,996</u>	<u>(57,458)</u>
Expenditures:				
Public safety	-	54,654	106,551	(51,897)
Library	-	9,975	9,975	-
Public health	-	13,350	10,400	2,950
Capital outlay	-	383,475	277,070	106,405
Total expenditures	<u>-</u>	<u>461,454</u>	<u>403,996</u>	<u>57,458</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balances, October 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF RICHARDSON, TEXAS
Combining Balance Sheet - Nonmajor Governmental Funds - Municipal Court Funds
September 30, 2017

	Special Revenue Funds			Total
	Building Security	Technology	Judicial Efficiency	
Assets:				
Cash and cash equivalents	\$ 186,169	\$ 165,072	\$ 15,303	\$ 366,544
Total assets	<u>\$ 186,169</u>	<u>\$ 165,072</u>	<u>\$ 15,303</u>	<u>\$ 366,544</u>
Liabilities:				
Accounts payable	\$ -	\$ 800	\$ -	\$ 800
Total liabilities	<u>-</u>	<u>800</u>	<u>-</u>	<u>800</u>
Fund balances:				
Restricted for:				
General government	-	137,525	15,303	152,828
Public Safety	186,169	26,747	-	212,916
Total fund balances	<u>186,169</u>	<u>164,272</u>	<u>15,303</u>	<u>365,744</u>
Total liabilities and fund balances	<u>\$ 186,169</u>	<u>\$ 165,072</u>	<u>\$ 15,303</u>	<u>\$ 366,544</u>

CITY OF RICHARDSON, TEXAS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance -
Nonmajor Governmental Funds - Municipal Court Funds
Year ended September 30, 2017

	Special Revenue Funds			
	Building Security	Technology	Judicial Efficiency	Total
Revenues:				
Fines and forfeitures	\$ 64,588	\$ 84,724	\$ 5,038	\$ 154,350
Interest revenue	1,313	934	117	2,364
Total revenues	<u>65,901</u>	<u>85,658</u>	<u>5,155</u>	<u>156,714</u>
Expenditures:				
General government	-	58,911	7,881	66,792
Public safety	94,399	-	-	94,399
Total expenditures	<u>94,399</u>	<u>58,911</u>	<u>7,881</u>	<u>161,191</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(28,498)</u>	<u>26,747</u>	<u>(2,726)</u>	<u>(4,477)</u>
Net change in fund balances	(28,498)	26,747	(2,726)	(4,477)
Fund balances, October 1	214,667	137,525	18,029	370,221
Fund balances, September 30	<u>\$ 186,169</u>	<u>\$ 164,272</u>	<u>\$ 15,303</u>	<u>\$ 365,744</u>

CITY OF RICHARDSON, TEXAS
 Budgetary Comparison Schedule - Municipal Court Building Security Fund
 Year ended September 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeitures	\$ 83,800	\$ 61,000	\$ 64,588	\$ 3,588
Interest revenue	1,301	1,510	1,313	(197)
Total revenues	<u>85,101</u>	<u>62,510</u>	<u>65,901</u>	<u>3,391</u>
Expenditures:				
Public safety	97,950	101,492	94,399	7,093
Total expenditures	<u>97,950</u>	<u>101,492</u>	<u>94,399</u>	<u>7,093</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(12,849)</u>	<u>(38,982)</u>	<u>(28,498)</u>	<u>10,484</u>
Net change in fund balance	(12,849)	(38,982)	(28,498)	10,484
Fund balances, October 1	<u>228,028</u>	<u>214,667</u>	<u>214,667</u>	<u>-</u>
Fund balances, September 30	<u><u>\$ 215,179</u></u>	<u><u>\$ 175,685</u></u>	<u><u>\$ 186,169</u></u>	<u><u>\$ 10,484</u></u>

CITY OF RICHARDSON, TEXAS
 Budgetary Comparison Schedule - Technology Fund
 Year ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Fines and forfeitures	\$ 103,950	\$ 81,000	\$ 84,724	\$ 3,724
Interest revenue	724	858	934	76
Total revenues	<u>104,674</u>	<u>81,858</u>	<u>85,658</u>	<u>3,800</u>
Expenditures:				
General government	61,925	60,564	58,911	1,653
Capital outlay	6,900	3,582	-	3,582
Total expenditures	<u>68,825</u>	<u>64,146</u>	<u>58,911</u>	<u>5,235</u>
Excess (deficiency) of revenues over (under) expenditures	<u>35,849</u>	<u>17,712</u>	<u>26,747</u>	<u>9,035</u>
Net change in fund balance	35,849	17,712	26,747	9,035
Fund balances, October 1	<u>139,003</u>	<u>137,525</u>	<u>137,525</u>	<u>-</u>
Fund balances, September 30	<u><u>\$ 174,852</u></u>	<u><u>\$ 155,237</u></u>	<u><u>\$ 164,272</u></u>	<u><u>\$ 9,035</u></u>

CITY OF RICHARDSON, TEXAS
 Budgetary Comparison Schedule - Judicial Efficiency Fund
 Year ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Fines and forfeitures	\$ 6,150	\$ 5,000	\$ 5,038	\$ 38
Interest revenue	104	129	117	(12)
Total revenues	<u>6,254</u>	<u>5,129</u>	<u>5,155</u>	<u>26</u>
Expenditures:				
General government	14,950	6,125	7,881	(1,756)
Capital outlay	-	6,700	-	6,700
Total expenditures	<u>14,950</u>	<u>12,825</u>	<u>7,881</u>	<u>4,944</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,696)</u>	<u>(7,696)</u>	<u>(2,726)</u>	<u>4,970</u>
Net change in fund balance	(8,696)	(7,696)	(2,726)	4,970
Fund balances, October 1	<u>13,769</u>	<u>18,029</u>	<u>18,029</u>	<u>-</u>
Fund balances, September 30	<u>\$ 5,073</u>	<u>\$ 10,333</u>	<u>\$ 15,303</u>	<u>\$ 4,970</u>

CITY OF RICHARDSON, TEXAS

Combining Balance Sheet - Nonmajor Governmental Funds - Tax Increment Financing Funds
September 30, 2017

	Special Revenue Funds			Total
	Tax Increment Financing #1	Tax Increment Financing #2	Tax Increment Financing #3	
Assets:				
Cash and cash equivalents	\$ 1,932,605	\$ 51,306	\$ 51,174	\$ 2,035,085
Investments	1,000,000	-	-	1,000,000
Total assets	\$ 2,932,605	\$ 51,306	\$ 51,174	\$ 3,035,085
Liabilities:				
Accounts payable	\$ 1,107	\$ -	\$ -	\$ 1,107
Accrued liabilities	38,596	-	-	38,596
Total liabilities	39,703	-	-	39,703
Fund balances:				
Restricted for:				
General government	2,892,902	51,306	51,174	2,995,382
Total fund balances	2,892,902	51,306	51,174	2,995,382
Total liabilities and fund balances	\$ 2,932,605	\$ 51,306	\$ 51,174	\$ 3,035,085

CITY OF RICHARDSON, TEXAS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance -
Nonmajor Governmental Funds - Tax Increment Financing Funds
Year ended September 30, 2017

	Special Revenue Funds			Total
	Tax Increment Financing #1	Tax Increment Financing #2	Tax Increment Financing #3	
Revenues:				
General property taxes	\$ 3,040,198	\$ 2,906,158	\$ 120,531	\$ 6,066,887
Intergovernmental revenue	775,721	726,532	28,077	1,530,330
Interest revenue	21,145	6,286	599	28,030
Other	-	137,003	-	137,003
Total revenues	<u>3,837,064</u>	<u>3,775,979</u>	<u>149,207</u>	<u>7,762,250</u>
Expenditures:				
General government	724,041	13,285,634	9,078,353	23,088,028
General administration	150,000	25,000	-	175,000
Capital outlay	1,301,155	1,564,550	2,472,518	5,338,223
Debt service:				
Payments for other obligations	813,613	1,547,286	-	2,360,899
Interest and fiscal charges	719,116	1,845,223	153,024	2,717,363
Total expenditures	<u>3,707,925</u>	<u>18,267,693</u>	<u>11,703,895</u>	<u>33,679,513</u>
Excess (deficiency) of revenues over (under) expenditures	<u>129,139</u>	<u>(14,491,714)</u>	<u>(11,554,688)</u>	<u>(25,917,263)</u>
Other financing sources (uses):				
Issuance of other obligations	-	14,491,209	11,550,871	26,042,080
Total other financing sources (uses)	<u>-</u>	<u>14,491,209</u>	<u>11,550,871</u>	<u>26,042,080</u>
Net change in fund balances	129,139	(505)	(3,817)	124,817
Fund balances, October 1	2,763,763	51,811	54,991	2,870,565
Fund balances, September 30	<u>\$ 2,892,902</u>	<u>\$ 51,306</u>	<u>\$ 51,174</u>	<u>\$ 2,995,382</u>

CITY OF RICHARDSON, TEXAS
 Budgetary Comparison Schedule - Tax Increment Financing #1
 Year ended September 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual GAAP</u>	<u>Adjustments</u>	<u>Actual Budget</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	<u>Budget Basis</u>	<u>Basis</u>	<u>Final Budget- Positive (Negative)</u>
Revenues:						
Property taxes	\$ 3,172,293	\$ 3,048,614	\$ 3,040,198	\$ -	\$ 3,040,198	\$ (8,416)
Intergovernmental revenue	795,473	775,721	775,721	-	775,721	-
Interest revenue	17,754	21,221	21,145	-	21,145	(76)
Total revenues	<u>3,985,520</u>	<u>3,845,556</u>	<u>3,837,064</u>	<u>-</u>	<u>3,837,064</u>	<u>(8,492)</u>
Expenditures:						
General government	1,701,743	2,271,771	724,041	1,532,729	2,256,770	15,001
General administration	150,000	150,000	150,000	-	150,000	-
Capital outlay	-	1,481,959	1,301,155	-	1,301,155	180,804
Debt service:						
Payments for other obligations	-	-	813,613	(813,613)	-	-
Interest and fiscal charges	-	-	719,116	(719,116)	-	-
Total expenditures	<u>1,851,743</u>	<u>3,903,730</u>	<u>3,707,925</u>	<u>-</u>	<u>3,707,925</u>	<u>195,805</u>
Excess of revenues over (under) expenditures	<u>2,133,777</u>	<u>(58,174)</u>	<u>129,139</u>	<u>-</u>	<u>129,139</u>	<u>187,313</u>
Net change in fund balance	2,133,777	(58,174)	129,139	-	129,139	187,313
Fund balances, October 1	<u>2,206,803</u>	<u>2,763,763</u>	<u>2,763,763</u>	<u>-</u>	<u>2,763,763</u>	<u>-</u>
Fund balances, September 30	<u>\$ 4,340,580</u>	<u>\$ 2,705,589</u>	<u>\$ 2,892,902</u>	<u>\$ -</u>	<u>\$ 2,892,902</u>	<u>\$ 187,313</u>

CITY OF RICHARDSON, TEXAS
 Budgetary Comparison Schedule - Tax Increment Financing #2
 Year ended September 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual GAAP</u>	<u>Adjustments</u>	<u>Actual Budget</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	<u>Budget Basis</u>	<u>Basis</u>	<u>Final Budget- Positive (Negative)</u>
Revenues:						
Property taxes	\$ 2,906,158	\$ 2,906,158	\$ 2,906,158	\$ -	\$ 2,906,158	\$ -
Intergovernmental revenue	784,423	726,532	726,532	-	726,532	-
Interest revenue	7,000	5,981	6,286	-	6,286	305
Other	-	-	137,003	(137,003)	-	-
Total revenues	<u>3,697,581</u>	<u>3,638,671</u>	<u>3,775,979</u>	<u>(137,003)</u>	<u>3,638,976</u>	<u>305</u>
Expenditures:						
General government	3,674,922	3,614,482	13,285,634	(9,671,152)	3,614,482	-
General administration	25,000	25,000	25,000	-	25,000	-
Capital outlay	-	-	1,564,550	(1,564,550)	-	-
Debt service:						
Payments for other obligations	-	-	1,547,286	(1,547,286)	-	-
Interest and fiscal charges	-	-	1,845,223	(1,845,223)	-	-
Total expenditures	<u>3,699,922</u>	<u>3,639,482</u>	<u>18,267,693</u>	<u>(14,628,211)</u>	<u>3,639,482</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>(2,341)</u>	<u>(811)</u>	<u>(14,491,714)</u>	<u>14,491,208</u>	<u>(506)</u>	<u>305</u>
Other financing sources (uses):						
Issuance of other obligations	-	-	14,491,209	(14,491,209)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>14,491,209</u>	<u>(14,491,209)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(2,341)	(811)	(505)	(1)	(506)	305
Fund balances, October 1	<u>52,341</u>	<u>51,811</u>	<u>51,811</u>	<u>51,811</u>	<u>51,811</u>	<u>-</u>
Fund balances, September 30	<u>\$ 50,000</u>	<u>\$ 51,000</u>	<u>\$ 51,306</u>	<u>\$ 51,810</u>	<u>\$ 51,305</u>	<u>\$ 305</u>

CITY OF RICHARDSON, TEXAS
 Budgetary Comparison Schedule - Tax Increment Financing #3
 Year ended September 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual GAAP</u>	<u>Adjustments</u>	<u>Actual Budget</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	<u>Budget Basis</u>	<u>Basis</u>	<u>Final Budget- Positive (Negative)</u>
Revenues:						
Property taxes	\$ 120,531	\$ 120,531	\$ 120,531	\$ -	\$ 120,531	\$ -
Intergovernmental revenue	32,534	28,077	28,077	-	28,077	-
Interest revenue	336	610	599	-	599	(11)
Total revenues	<u>153,401</u>	<u>149,218</u>	<u>149,207</u>	<u>-</u>	<u>149,207</u>	<u>(11)</u>
Expenditures:						
General government	155,330	153,024	9,078,353	(8,925,329)	153,024	-
Capital outlay	-	-	2,472,518	(2,472,518)	-	-
Debt service:						
Interest and fiscal charges	-	-	153,024	(153,024)	-	-
Total expenditures	<u>155,330</u>	<u>153,024</u>	<u>11,703,895</u>	<u>(11,550,871)</u>	<u>153,024</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>(1,929)</u>	<u>(3,806)</u>	<u>(11,554,688)</u>	<u>11,550,871</u>	<u>(3,817)</u>	<u>(11)</u>
Other financing sources (uses):						
Issuance of other obligations	-	-	11,550,871	(11,550,871)	-	-
Net change in fund balance	(1,929)	(3,806)	(3,817)	-	(3,817)	(11)
Fund balances, October 1	<u>54,920</u>	<u>54,991</u>	<u>54,991</u>	<u>-</u>	<u>54,991</u>	<u>-</u>
Fund balances, September 30	<u>\$ 52,991</u>	<u>\$ 51,185</u>	<u>\$ 51,174</u>	<u>\$ -</u>	<u>\$ 51,174</u>	<u>\$ (11)</u>

CITY OF RICHARDSON, TEXAS
 Budgetary Comparison Schedule - Debt Service Fund
 Year ended September 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 33,260,058	\$ 33,087,457	\$ 33,028,131	\$ (59,326)
Interest revenue	23,803	44,283	57,694	13,411
Other	-	255	256	1
Total revenues	<u>33,283,861</u>	<u>33,131,995</u>	<u>33,086,081</u>	<u>(45,914)</u>
Expenditures:				
Debt service:				
Interest and fiscal charges	8,066,117	8,070,392	7,955,447	114,945
Principal retirement	24,614,412	24,614,412	24,614,412	-
Payments for other obligations	375,454	375,454	375,454	-
Total expenditures	<u>33,055,983</u>	<u>33,060,258</u>	<u>32,945,313</u>	<u>114,945</u>
Net change in fund balance	227,878	71,737	140,768	69,031
Fund balances, October 1	<u>2,578,104</u>	<u>2,653,198</u>	<u>2,653,198</u>	<u>-</u>
Fund balances, September 30	<u>\$ 2,805,982</u>	<u>\$ 2,724,935</u>	<u>\$ 2,793,966</u>	<u>\$ 69,031</u>

CITY OF RICHARDSON, TEXAS
 Budgetary Comparison Schedule - Special Police Funds
 Year ended September 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental revenue	\$ 25,000	\$ 38,000	\$ 38,828	\$ 828
Fines and forfeitures	10,000	16,336	13,518	(2,818)
Interest revenue	1,646	1,967	1,792	(175)
Other	10,000	59,143	81,993	22,850
Total revenues	<u>46,646</u>	<u>115,446</u>	<u>136,131</u>	<u>20,685</u>
Expenditures:				
Public safety	5,000	103,366	110,766	(7,400)
Capital outlay	-	4,448	-	4,448
Total expenditures	<u>5,000</u>	<u>107,814</u>	<u>110,766</u>	<u>(2,952)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>41,646</u>	<u>7,632</u>	<u>25,365</u>	<u>17,733</u>
Other financing sources (uses):				
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Net change in fund balance	(8,354)	(42,368)	(24,635)	17,733
Fund balances, October 1	<u>172,219</u>	<u>285,554</u>	<u>285,554</u>	<u>-</u>
Fund balances, September 30	<u>\$ 163,865</u>	<u>\$ 243,186</u>	<u>\$ 260,919</u>	<u>\$ 17,733</u>

CITY OF RICHARDSON, TEXAS
 Budgetary Comparison Schedule - Traffic Safety Fund
 Year ended September 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeitures	\$ 1,525,000	\$ 54,809	\$ 53,332	\$ (1,477)
Interest revenue	3,764	3,493	2,557	(936)
Other	-	-	5	5
Total revenues	<u>1,528,764</u>	<u>58,302</u>	<u>55,894</u>	<u>(2,408)</u>
Expenditures:				
Public safety	<u>1,525,056</u>	<u>481,957</u>	<u>470,045</u>	<u>11,912</u>
Total expenditures	<u>1,525,056</u>	<u>481,957</u>	<u>470,045</u>	<u>11,912</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,708</u>	<u>(423,655)</u>	<u>(414,151)</u>	<u>9,504</u>
Net change in fund balance	3,708	(423,655)	(414,151)	9,504
Fund balances, October 1	<u>313,009</u>	<u>423,656</u>	<u>423,656</u>	<u>-</u>
Fund balances, September 30	<u>\$ 316,717</u>	<u>\$ 1</u>	<u>\$ 9,505</u>	<u>\$ 9,504</u>

CITY OF RICHARDSON, TEXAS
 Budgetary Comparison Schedule - Wireless 911 Fund
 Year ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
911 revenue	\$ 510,000	\$ 565,239	\$ 557,034	\$ (8,205)
Interest revenue	1,584	1,984	2,157	173
Total revenues	<u>511,584</u>	<u>567,223</u>	<u>559,191</u>	<u>(8,032)</u>
Expenditures:				
Public safety	21,000	21,000	12,939	8,061
Total expenditures	<u>21,000</u>	<u>21,000</u>	<u>12,939</u>	<u>8,061</u>
Excess (deficiency) of revenues over (under) expenditures	<u>490,584</u>	<u>546,223</u>	<u>546,252</u>	<u>29</u>
Other financing sources (uses):				
Transfers out	(450,000)	(450,000)	(450,000)	-
Total other financing sources (uses)	<u>(450,000)</u>	<u>(450,000)</u>	<u>(450,000)</u>	<u>-</u>
Net change in fund balance	40,584	96,223	96,252	29
Fund balances, October 1	<u>246,168</u>	<u>257,214</u>	<u>257,214</u>	<u>-</u>
Fund balances, September 30	<u>\$ 286,752</u>	<u>\$ 353,437</u>	<u>\$ 353,466</u>	<u>\$ 29</u>

CITY OF RICHARDSON, TEXAS
 Budgetary Comparison Schedule - Hotel/Motel Fund
 Year ended September 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Hotel/motel taxes	\$ 4,516,621	\$ 4,340,778	\$ 4,276,047	\$ (64,731)
Parking Fees	211,000	216,344	229,640	13,296
Eisemann center revenue	2,219,100	2,013,060	2,098,078	85,018
Interest revenue	8,619	20,239	20,088	(151)
Other	65,000	71,582	81,437	9,855
Total revenues	<u>7,020,340</u>	<u>6,662,003</u>	<u>6,705,290</u>	<u>43,287</u>
Expenditures:				
General government	6,821,165	7,257,685	6,324,579	933,106
Capital outlay	-	-	574,539	(574,539)
Total expenditures	<u>6,821,165</u>	<u>7,257,685</u>	<u>6,899,118</u>	<u>358,567</u>
Excess (deficiency) of revenues over (under) expenditures	<u>199,175</u>	<u>(595,682)</u>	<u>(193,828)</u>	<u>401,854</u>
Net change in fund balance	199,175	(595,682)	(193,828)	401,854
Fund balances, October 1	<u>1,923,747</u>	<u>3,023,281</u>	<u>3,023,281</u>	<u>-</u>
Fund balances, September 30	<u>\$ 2,122,922</u>	<u>\$ 2,427,599</u>	<u>\$ 2,829,453</u>	<u>\$ 401,854</u>

CITY OF RICHARDSON, TEXAS
 Budgetary Comparison Schedule - Franchise PEG Fund
 Year ended September 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Franchise taxes	\$ 250,000	\$ 255,000	\$ 250,385	\$ (4,615)
Interest revenue	4,932	6,946	6,764	(182)
Total revenues	<u>254,932</u>	<u>261,946</u>	<u>257,149</u>	<u>(4,797)</u>
Expenditures:				
General government	-	-	49,829	(49,829)
Capital outlay	50,000	62,000	11,999	50,001
Total expenditures	<u>50,000</u>	<u>62,000</u>	<u>61,828</u>	<u>172</u>
Excess (deficiency) of revenues over (under) expenditures	<u>204,932</u>	<u>199,946</u>	<u>195,321</u>	<u>(4,625)</u>
Net change in fund balance	204,932	199,946	195,321	(4,625)
Fund balances, October 1	<u>877,837</u>	<u>893,208</u>	<u>893,208</u>	<u>-</u>
Fund balances, September 30	<u>\$ 1,082,769</u>	<u>\$ 1,093,154</u>	<u>\$ 1,088,529</u>	<u>\$ (4,625)</u>

CITY OF RICHARDSON, TEXAS
 Budgetary Comparison Schedule - Drainage Fund
 Year ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Interest revenue	\$ 17,750	\$ 20,590	\$ 21,239	\$ 649
Drainage fees	2,745,922	2,753,833	2,753,727	(106)
Total revenues	<u>2,763,672</u>	<u>2,774,423</u>	<u>2,774,966</u>	<u>543</u>
Expenditures:				
Public services	475,000	770,000	724,273	45,727
General administration	786,117	786,117	786,117	-
Capital outlay	1,200,000	1,200,000	613,391	586,609
Total expenditures	<u>2,461,117</u>	<u>2,756,117</u>	<u>2,123,781</u>	<u>632,336</u>
Excess (deficiency) of revenues over (under) expenditures	<u>302,555</u>	<u>18,306</u>	<u>651,185</u>	<u>632,879</u>
Net change in fund balance	302,555	18,306	651,185	632,879
Fund balances, October 1	<u>2,850,281</u>	<u>2,556,880</u>	<u>2,556,880</u>	<u>-</u>
Fund balances, September 30	<u>\$ 3,152,836</u>	<u>\$ 2,575,186</u>	<u>\$ 3,208,065</u>	<u>\$ 632,879</u>

CITY OF RICHARDSON, TEXAS
 Budgetary Comparison Schedule - Richardson Improvement Corporation
 Year ended September 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Contributions	\$ 500	\$ 13,700	\$ 11,905	\$ (1,795)
Interest revenue	30	40	45	5
Other	-	30	17	(13)
Total revenues	<u>530</u>	<u>13,770</u>	<u>11,967</u>	<u>(1,803)</u>
Expenditures:				
Parks and recreation	<u>81,177</u>	<u>51,582</u>	<u>35,776</u>	<u>15,806</u>
Total expenditures	<u>81,177</u>	<u>51,582</u>	<u>35,776</u>	<u>15,806</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(80,647)</u>	<u>(37,812)</u>	<u>(23,809)</u>	<u>14,003</u>
Other financing sources (uses):				
Transfers in	80,000	80,000	80,000	-
Transfers out	<u>-</u>	<u>-</u>	<u>(11,931)</u>	<u>(11,931)</u>
Total other financing sources (uses)	<u>80,000</u>	<u>80,000</u>	<u>68,069</u>	<u>(11,931)</u>
Net change in fund balance	(647)	42,188	44,260	2,072
Fund balances, October 1	<u>37,774</u>	<u>39,357</u>	<u>39,357</u>	<u>-</u>
Fund balances, September 30	<u>\$ 37,127</u>	<u>\$ 81,545</u>	<u>\$ 83,617</u>	<u>\$ 2,072</u>

CITY OF RICHARDSON, TEXAS
 Budgetary Comparison Schedule - Economic Development Fund
 Year ended September 30, 2017

	Budgeted Amounts		Actual Basis	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Interest revenue	\$ 5,000	\$ 11,334	\$ 11,400	\$ 66
Total revenues	<u>5,000</u>	<u>11,334</u>	<u>11,400</u>	<u>66</u>
Expenditures:				
General government	421,628	521,628	515,028	6,600
Total expenditures	<u>421,628</u>	<u>521,628</u>	<u>515,028</u>	<u>6,600</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(416,628)</u>	<u>(510,294)</u>	<u>(503,628)</u>	<u>6,666</u>
Other financing sources (uses):				
Transfers in	1,465,695	1,165,695	1,165,695	-
Total other financing sources (uses)	<u>1,465,695</u>	<u>1,165,695</u>	<u>1,165,695</u>	<u>-</u>
Net change in fund balance	1,049,067	655,401	662,067	6,666
Fund balances, October 1	<u>1,174,606</u>	<u>1,210,602</u>	<u>1,210,602</u>	<u>-</u>
Fund balances, September 30	<u>\$ 2,223,673</u>	<u>\$ 1,866,003</u>	<u>\$ 1,872,669</u>	<u>\$ 6,666</u>

CITY OF RICHARDSON, TEXAS
 Budgetary Comparison Schedule - Golf Fund
 Year ended September 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Basis</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Golf course revenue	\$ 2,285,883	\$ 2,107,437	\$ 2,160,620	\$ 53,183
Golf course restaurant	39,414	36,973	36,695	(278)
Other				
Interest	100	340	665	325
Other	25,194	19,035	19,429	394
Total revenues	<u>2,350,591</u>	<u>2,163,785</u>	<u>2,217,409</u>	<u>53,624</u>
Expenditures:				
General administration	97,261	97,261	97,261	-
Parks and recreation	2,124,039	2,074,567	2,031,309	43,258
Total expenditures	<u>2,221,300</u>	<u>2,171,828</u>	<u>2,128,570</u>	<u>43,258</u>
Excess (deficiency) of revenues over (under) expenditures	<u>129,291</u>	<u>(8,043)</u>	<u>88,839</u>	<u>96,882</u>
Net change in fund balance	129,291	(8,043)	88,839	96,882
Fund balances, October 1	<u>258,551</u>	<u>107,470</u>	<u>107,470</u>	<u>-</u>
Fund balances, September 30	<u>\$ 387,842</u>	<u>\$ 99,427</u>	<u>\$ 196,309</u>	<u>\$ 96,882</u>

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CITY OF RICHARDSON, TEXAS
Nonmajor Governmental Funds - Internal Service Funds
September 30, 2017

Internal Service Funds are used to account for the financing of goods or services provided by certain departments to other departments within the City. The City uses two internal service funds:

Central Services Fund - This fund is used to account for warehouse, mail, and records management operations of the City on a cost-reimbursement basis.

Insurance Fund - This fund is used to account for the health insurance program provided by the City to its employees and to their dependents, as well as retirees, on a subsidized cost basis.

CITY OF RICHARDSON, TEXAS
Combining Statement of Net Position - All Internal Service Funds
September 30, 2017

	Central		
	Services Fund	Insurance Fund	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 129,212	\$ 3,603,746	\$ 3,732,958
Investments	-	4,000,000	4,000,000
Accounts receivable	-	96,293	96,293
Deposits	-	12,247	12,247
Inventories	210,729	-	210,729
Prepaid items	107	29,657	29,764
Total current assets	<u>340,048</u>	<u>7,741,943</u>	<u>8,081,991</u>
Capital assets:			
Land	56,011	-	56,011
Buildings	259,990	-	259,990
Improvements	23,023	-	23,023
Vehicles, machinery and equipment	288,697	-	288,697
Total capital assets	<u>627,721</u>	<u>-</u>	<u>627,721</u>
Less accumulated depreciation	<u>(553,856)</u>	<u>-</u>	<u>(553,856)</u>
Total capital assets, net of accumulated depreciation	<u>73,865</u>	<u>-</u>	<u>73,865</u>
Total assets	<u>413,913</u>	<u>7,741,943</u>	<u>8,155,856</u>
Deferred outflows of resources:			
Pension contributions investment experience and assumptions	<u>153,201</u>	<u>90,552</u>	<u>243,753</u>
Total deferred outflows of resources	<u>153,201</u>	<u>90,552</u>	<u>243,753</u>
Liabilities:			
Current liabilities:			
Accounts payable	8,137	323,105	331,242
Compensated absences	4,732	5,858	10,590
Unpaid claims liabilities	-	879,943	879,943
Unearned revenue	-	70,450	70,450
Total current liabilities	<u>12,869</u>	<u>1,279,356</u>	<u>1,292,225</u>
Noncurrent liabilities:			
Compensated absences	42,587	52,724	95,311
Pension liability	317,764	174,839	492,603
Other post employment benefits	55,370	92,207	147,577
Total noncurrent liabilities	<u>415,721</u>	<u>319,770</u>	<u>735,491</u>
Total liabilities	<u>428,590</u>	<u>1,599,126</u>	<u>2,027,716</u>
Deferred inflows of resources:			
Pension actuarial experience	<u>1,281</u>	<u>1,147</u>	<u>2,428</u>
Total deferred inflows of resources	<u>1,281</u>	<u>1,147</u>	<u>2,428</u>
Net position:			
Net investment in capital assets	73,865	-	73,865
Unrestricted	63,379	6,232,221	6,295,600
Total net position	<u>\$ 137,244</u>	<u>\$ 6,232,221</u>	<u>\$ 6,369,465</u>

CITY OF RICHARDSON, TEXAS

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position - All Internal Service Funds
Year ended September 30, 2017

	Central		
	Services Fund	Insurance Fund	Total
Operating revenues:			
Charges for services	\$ 404,729	\$ -	\$ 404,729
City and employee contributions	1,656	15,978,566	15,980,222
Miscellaneous	1	232,378	232,379
Total operating revenues	<u>406,386</u>	<u>16,210,944</u>	<u>16,617,330</u>
Operating expenses:			
Personal services	409,150	398,996	808,146
Premiums	897	727,305	728,202
Professional and technical services	12,297	723,302	735,599
Property services	88,451	-	88,451
Other purchases services	-	91,959	91,959
Insurance claims	43,869	10,748,720	10,792,589
Supplies	23,552	1,356	24,908
Depreciation	1,984	-	1,984
Total operating expenses	<u>580,200</u>	<u>12,691,638</u>	<u>13,271,838</u>
Operating income (loss)	<u>(173,814)</u>	<u>3,519,306</u>	<u>3,345,492</u>
Nonoperating revenues:			
Interest revenue	2,151	37,047	39,198
Total nonoperating revenues	<u>2,151</u>	<u>37,047</u>	<u>39,198</u>
Change in net position	(171,663)	3,556,353	3,384,690
Net position, October 1	308,907	2,675,868	2,984,775
Net position, September 30	<u>\$ 137,244</u>	<u>\$ 6,232,221</u>	<u>\$ 6,369,465</u>

CITY OF RICHARDSON, TEXAS
Combining Statement of Cash Flows – Internal Service Funds
Year ended September 30, 2017

	Central Services Fund	Insurance Fund	Total
Cash flows from operating activities:			
Cash received from service users	\$ 404,730	\$ —	\$ 404,730
Cash received from City, employee, and other contributions	1,656	16,210,944	16,212,600
Cash payments for premiums and other operating expenses	(122,179)	(1,424,610)	(1,546,789)
Cash payments to employees	(375,654)	(371,555)	(747,209)
Cash payments for claims	(43,869)	(10,921,755)	(10,965,624)
Net cash used in operating activities	(135,316)	3,493,024	3,357,708
Cash flows from financing activity:			
Acquisition and construction of capital assets	(19,838)	—	(19,838)
Net cash provided by investing activity	(19,838)	—	(19,838)
Cash flows from investing activity:			
Purchase of investment securities	—	(4,000,000)	(4,000,000)
Proceeds from sale and maturities of investments	130,000	1,100,000	1,230,000
Interest received on investments	2,151	37,047	39,198
Net cash provided by investing activity	132,151	(2,862,953)	(2,730,802)
Net increase (decrease) in cash and cash equivalents	(23,003)	630,071	607,068
Cash and cash equivalents, October 1	152,215	2,973,675	3,125,890
Cash and cash equivalents, September 30	129,212	3,603,746	3,732,958
Reconciliation of operating income (loss) to net cash used for operating activities:			
Operating income (loss)	(173,814)	3,519,306	3,345,492
Adjustments to reconcile operating income (loss) to net cash used for operating activities			
Depreciation	1,984	—	1,984
Changes in assets and liabilities:			
(Increase)Decrease in other receivables	—	119,385	119,385
(Increase)Decrease in inventory of supplies	8,530	—	8,530
(Increase)Decrease in prepaid items	281	(2,936)	(2,655)
Increase (Decrease) in accounts payable	(5,793)	122,249	116,456
Increase in unpaid claims liabilities	—	(298,033)	(298,033)
Increase (Decrease) in unearned revenue	—	5,612	5,612
Increase (Decrease) in post-employment benefits	(9,432)	6,149	(3,283)
Increase (Decrease) in compensated absences	4,380	2,411	6,791
Increase (Decrease) in pension liabilities	38,548	18,881	57,429
Increase (Decrease) in workers compensation	—	—	—
Total adjustments	38,498	(26,282)	12,216
Net cash used in operating activities	(135,316)	3,493,024	3,357,708
Reconciliation of cash and cash equivalents to the statement of net position:			
Total cash and investments per the statement of net position	129,212	7,603,746	7,732,958
Less investments not meeting the definition of cash equivalents	—	(4,000,000)	(4,000,000)
Cash and cash equivalents at September 30, 2017	\$ 129,212	\$ 3,603,746	\$ 3,732,958



STATISTICAL SECTION

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CITY OF RICHARDSON, TEXAS
Statistical Section
September 30, 2017

Tables in the statistical section present detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the overall financial health of the City.

	Pages
<i>Financial Trends</i> – These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	108 - 113
<i>Revenue Capacity</i> - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	114 - 117
<i>Debt Capacity</i> - These schedules present information to help the reader assess the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	118 - 122
<i>Demographic and Economic Information</i> - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	123 - 124
<i>Operating Information</i> - 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.	125 - 127
<i>Pension Information</i> - This schedule contains information regarding pension benefits funding progress.	128

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

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Table 1

CITY OF RICHARDSON, TEXAS
Statement of Net Position by Component*
 Last ten fiscal years
 (In thousands)
 (unaudited)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental activities:										
Net investment in capital assets	\$ 116,550	\$ 103,758	\$ 109,432	\$ 106,308	\$ 108,527	\$ 113,992	\$ 129,095	\$ 134,199	\$ 130,402	\$ 110,728
Restricted	6,295	22,864	22,180	15,207	10,744	7,103	7,072	10,511	10,682	26,607
Unrestricted	8,487	903	(5,654)	(7,778)	(8,303)	(6,582)	(19,188)	(23,943)	(19,160)	(23,077)
Total governmental activities net position	<u>\$ 131,332</u>	<u>\$ 127,525</u>	<u>\$ 125,958</u>	<u>\$ 113,737</u>	<u>\$ 110,968</u>	<u>\$ 114,513</u>	<u>\$ 116,979</u>	<u>\$ 120,767</u>	<u>\$ 121,924</u>	<u>\$ 114,258</u>
Business-type activities:										
Net investment in capital assets	\$ 59,030	\$ 54,480	\$ 52,823	\$ 50,959	\$ 50,558	\$ 55,251	\$ 50,634	\$ 51,770	\$ 55,464	\$ 56,619
Restricted	3,627	3,873	2,338	9,245	6,338	6,700	4,068	5,464	3,262	3,016
Unrestricted	14,566	17,625	18,192	12,666	11,604	11,399	8,983	10,694	12,427	12,823
Total business-type activities net position	<u>\$ 77,223</u>	<u>\$ 75,978</u>	<u>\$ 73,353</u>	<u>\$ 72,870</u>	<u>\$ 68,500</u>	<u>\$ 73,350</u>	<u>\$ 63,685</u>	<u>\$ 67,928</u>	<u>\$ 71,153</u>	<u>\$ 72,458</u>
Primary government:										
Net investment in capital assets	\$ 175,580	\$ 158,238	\$ 162,255	\$ 157,267	\$ 159,085	\$ 169,243	\$ 179,729	\$ 185,969	\$ 185,866	\$ 167,347
Restricted	9,922	26,737	24,518	24,452	17,082	13,803	11,140	15,975	13,944	29,623
Unrestricted	23,053	18,528	12,538	4,888	3,301	4,817	(10,205)	(13,249)	(6,733)	(10,254)
Total primary government net position	<u>\$ 208,555</u>	<u>\$ 203,503</u>	<u>\$ 199,311</u>	<u>\$ 186,607</u>	<u>\$ 179,468</u>	<u>\$ 187,863</u>	<u>\$ 180,664</u>	<u>\$ 188,695</u>	<u>\$ 193,077</u>	<u>\$ 186,716</u>

* The City implemented GASB Statements 63 and 65 in FY 2013. The amounts for fiscal years 2008-2012 were restated for the effects of these standards in FY 2013. The City implemented GASB Statement 68 in FY 2015. The amounts for fiscal year 2014 were restated for the effects of these standards in FY 2015.

Table 2

CITY OF RICHARDSON, TEXAS
Changes in Net Position*
Last ten fiscal years
(In thousands)
(Accrual basis of accounting)
(unaudited)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Expenses:										
Governmental activities:										
General government	\$ 30,689	\$ 27,784	\$ 27,767	\$ 34,351	\$ 30,018	\$ 29,705	\$ 36,311	\$ 36,761	\$ 45,754	\$ 60,771
Public safety	41,630	43,610	44,318	45,826	45,224	45,616	47,533	48,745	54,796	56,883
Public services	24,701	27,070	26,652	26,819	26,776	27,044	28,931	30,588	34,955	32,108
Library	4,145	4,224	4,099	4,245	4,027	3,963	3,989	4,161	4,311	4,339
Parks and recreation	13,814	13,658	14,507	14,662	14,786	15,078	15,282	18,310	18,987	19,813
Public health	1,483	1,582	1,460	1,467	1,548	1,606	1,714	1,807	2,054	2,185
Interest and fiscal charges	10,990	9,642	8,817	10,832	10,930	11,134	10,757	9,884	9,524	11,136
Total governmental activities expenses	<u>127,452</u>	<u>127,570</u>	<u>127,620</u>	<u>138,202</u>	<u>133,309</u>	<u>134,146</u>	<u>144,517</u>	<u>150,256</u>	<u>170,381</u>	<u>187,235</u>
Business-type activities:										
Water and sewer	45,159	46,278	46,785	49,816	51,667	54,341	55,648	59,159	63,836	71,437
Solid waste	12,068	12,364	12,779	12,798	13,057	12,574	12,441	13,725	14,418	14,509
Golf	2,336	2,406	2,338	2,487	2,376	2,544	2,558	-	-	-
Total business-type activities expenses	<u>59,563</u>	<u>61,048</u>	<u>61,902</u>	<u>65,101</u>	<u>67,100</u>	<u>69,459</u>	<u>70,647</u>	<u>72,884</u>	<u>78,254</u>	<u>85,946</u>
Total primary government expenses	<u>\$ 187,015</u>	<u>\$ 188,618</u>	<u>\$ 189,522</u>	<u>\$ 203,303</u>	<u>\$ 200,409</u>	<u>\$ 203,605</u>	<u>\$ 215,164</u>	<u>\$ 223,140</u>	<u>\$ 248,635</u>	<u>\$ 273,181</u>
Program revenues:										
Governmental activities:										
Charges for services:										
General government	\$ 3,144	\$ 3,724	\$ 3,111	\$ 3,577	\$ 3,423	\$ 3,875	\$ 3,327	\$ 3,398	\$ 6,027	\$ 6,025
Public safety	7,937	8,903	8,398	9,170	9,480	9,506	9,252	9,691	9,421	7,867
Public services	1,527	1,379	1,956	2,200	4,278	6,583	6,163	6,152	10,200	6,940
Library	186	190	184	164	155	6	5	-	-	-
Parks and recreation	2,898	2,891	3,291	3,327	3,262	3,756	4,103	5,328	6,110	6,367
Public health	249	255	264	266	264	293	291	340	346	369
Operating grants and contributions	1,061	368	642	532	1,777	522	788	967	3,689	1,821
Capital grants and contributions	4,991	10,059	10,144	3,875	2,028	8,363	15,022	8,168	1,819	4,468
Total governmental activities program revenues	<u>21,993</u>	<u>27,769</u>	<u>27,990</u>	<u>23,111</u>	<u>24,667</u>	<u>32,904</u>	<u>38,951</u>	<u>34,044</u>	<u>37,612</u>	<u>33,857</u>
Business-type activities:										
Charges for services:										
Water and sewer	40,338	43,116	42,807	48,485	46,075	54,257	51,271	60,310	63,914	68,876
Solid waste	11,330	12,262	12,274	12,275	12,303	12,375	12,555	13,047	13,345	14,679
	2,144	2,045	1,536	1,873	2,011	2,231	1,919	-	-	-
Operating grants and contributions	-	-	-	15	12	-	-	-	-	-
Capital grants and contributions	701	872	1,228	647	956	908	1,551	1,549	4,031	3,457
Total business-type activities program revenues	<u>54,513</u>	<u>58,295</u>	<u>57,845</u>	<u>63,295</u>	<u>61,357</u>	<u>69,771</u>	<u>67,296</u>	<u>74,906</u>	<u>81,290</u>	<u>87,012</u>
Total primary government program revenues	<u>\$ 76,506</u>	<u>\$ 86,064</u>	<u>\$ 85,835</u>	<u>\$ 86,406</u>	<u>\$ 86,024</u>	<u>\$ 102,675</u>	<u>\$ 106,247</u>	<u>\$ 108,950</u>	<u>\$ 118,902</u>	<u>\$ 120,869</u>

* The City implemented GASB Statement 63 and 65 in FY2013. The amounts shown for "Interest and fiscal charges" and expenses for Business-type activities were restated for fiscal years 2008-2012 in FY 2013.

(Continued)

CITY OF RICHARDSON, TEXAS
Changes in Net Position (Continued)
 Last ten fiscal years
 (In thousands)
 (Accrual basis of accounting)
 (unaudited)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Net (expense) revenue:										
Governmental activities	\$ (105,459)	\$ (99,801)	\$ (99,630)	\$ (115,091)	\$ (108,642)	\$ (101,242)	\$ (105,566)	\$ (116,212)	\$ (132,769)	\$ (153,378)
Business-type activities	(5,050)	(2,753)	(4,057)	(1,806)	(5,743)	312	(3,351)	2,022	3,036	1,066
Total primary government net expense	<u>(110,509)</u>	<u>(102,554)</u>	<u>(103,687)</u>	<u>(116,897)</u>	<u>(114,385)</u>	<u>(100,930)</u>	<u>(108,917)</u>	<u>(114,190)</u>	<u>(129,733)</u>	<u>(152,312)</u>
General revenues:										
Governmental activities:										
Taxes:										
Property	\$ 55,264	\$ 57,574	\$ 58,105	\$ 61,115	\$ 63,810	\$ 64,602	\$ 68,368	\$ 70,677	\$ 78,761	\$ 87,312
Sales	23,286	20,815	24,967	24,753	25,246	26,600	29,805	31,065	33,660	36,044
Other taxes	3,719	2,986	3,105	3,447	3,351	3,673	4,129	4,460	4,979	4,863
Franchise	11,871	12,206	12,275	13,533	13,561	14,289	15,039	15,647	16,058	16,446
Unrestricted interest earnings	4,904	2,298	332	397	156	94	92	137	399	724
Transfers	(117)	(19)	(695)	(489)	(259)	(4,506)	4,058	(2,064)	-	-
Gain on sale of assets	18	134	14	74	8	35	40	78	69	323
Total governmental activities	<u>98,945</u>	<u>95,994</u>	<u>98,103</u>	<u>102,830</u>	<u>105,873</u>	<u>104,787</u>	<u>121,531</u>	<u>120,000</u>	<u>133,926</u>	<u>145,712</u>
Business-type activities:										
Unrestricted interest earnings	868	295	73	47	31	29	23	47	109	164
Transfers	117	19	695	489	259	4,506	(4,058)	2,064	-	-
Gain on sale of assets	117	730	90	59	352	3	181	109	80	74
Total business-type activities	<u>1,102</u>	<u>1,044</u>	<u>858</u>	<u>595</u>	<u>642</u>	<u>4,538</u>	<u>(3,854)</u>	<u>2,220</u>	<u>189</u>	<u>238</u>
Total primary government	<u>\$ 100,047</u>	<u>\$ 97,038</u>	<u>\$ 98,961</u>	<u>\$ 103,425</u>	<u>\$ 106,515</u>	<u>\$ 109,325</u>	<u>\$ 117,677</u>	<u>\$ 122,220</u>	<u>\$ 134,115</u>	<u>\$ 145,950</u>
Change in net position:										
Governmental activities	(6,514)	(3,807)	(1,527)	(12,261)	(2,769)	3,545	15,965	3,788	1,157	(7,666)
Business-type activities	(3,948)	(1,709)	(3,199)	(1,211)	(5,101)	4,850	(7,205)	4,242	3,225	1,304
Total primary government	<u>\$ (10,462)</u>	<u>\$ (5,516)</u>	<u>\$ (4,726)</u>	<u>\$ (13,472)</u>	<u>\$ (7,870)</u>	<u>\$ 8,395</u>	<u>\$ 8,760</u>	<u>\$ 8,030</u>	<u>\$ 4,382</u>	<u>\$ (6,362)</u>

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Table 3

CITY OF RICHARDSON, TEXAS
Fund Balances, Governmental Funds
 Last ten fiscal years
 (In thousands)
 (unaudited)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Fund:										
Reserved for other	\$ 986	\$ 600	\$ 730	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable	-	-	-	507	559	1,027	882	933	720	666
Assigned for	-	-	-	114	327	337	665	800	634	598
Unreserved	15,259	15,244	15,403	-	-	-	-	-	-	-
Unassigned	-	-	-	15,808	16,274	16,513	17,789	18,007	19,788	21,612
Total general fund	<u>\$ 16,245</u>	<u>\$ 15,844</u>	<u>\$ 16,133</u>	<u>\$ 16,429</u>	<u>\$ 17,160</u>	<u>\$ 17,877</u>	<u>\$ 19,336</u>	<u>\$ 19,740</u>	<u>\$ 21,142</u>	<u>\$ 22,876</u>
All other governmental funds:										
Reserved for:										
Capital projects	\$ 36,223	\$ 19,375	\$ 80,012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service	1,785	1,947	1,604	-	-	-	-	-	-	-
Other *	27,021	16,799	10,518	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	3,292	3,779	2,902	-	-	-	-	-	-	-
Capital funds	2,191	1,030	4,425	-	-	-	-	-	-	-
Non spendable:										
Property held for redevelopment and resale	-	-	-	-	2,495	2,495	2,495	274	274	274
Prepaid items	-	-	-	91	64	98	77	120	65	62
Deposits	-	-	-	105	-	-	-	-	-	-
Restricted for:										
Debt service	-	-	-	2,180	2,247	2,324	2,328	2,381	2,653	2,794
Library	-	-	-	-	-	63	7	26	89	-
Parks and recreation projects	-	-	-	22,817	18,341	3,831	4,101	1,156	471	836
Public services	-	-	-	30,061	26,548	16,283	8,692	5,544	4,800	18,978
Neighborhood vitality projects	-	-	-	7,725	6,434	5,325	2,509	1,745	-	-
Municipal public buildings	-	-	-	9,871	5,098	341	37	27	-	-
Capital projects	-	-	-	3,399	2,196	129	118	1,608	1,226	1,379
General government	-	-	-	-	-	1,223	2,561	4,415	4,178	4,432
Health/Shelter	-	-	-	-	-	-	229	40	68	-
Public Safety	-	-	-	-	-	1,917	1,906	2,147	3,468	26,187
Other purposes	-	-	-	4,180	2,716	-	-	-	-	-
Committed for:										
General government	-	-	-	-	-	-	-	-	1,211	1,873
Public services	-	-	-	-	570	1,921	2,743	2,841	2,557	3,208
Parks and recreation	-	-	-	-	-	-	-	-	107	195
Assigned for:										
Public services	-	-	-	707	808	1,474	1,507	90	2,457	1,553
Other purpose	-	-	-	3,540	2,422	-	-	-	-	-
Public safety	-	-	-	-	-	-	2	44	3	-
Parks and recreation	-	-	-	-	-	23	65	225	767	83
Neighborhood Vitality Projects	-	-	-	-	-	-	65	-	-	-
Capital projects	-	-	-	-	-	4,896	-	2,578	7,630	6,011
General government	-	-	-	-	-	1,081	5,405	2,120	3,179	3,026
Total all other governmental funds	<u>\$ 70,512</u>	<u>\$ 42,930</u>	<u>\$ 99,461</u>	<u>\$ 84,676</u>	<u>\$ 69,939</u>	<u>\$ 43,424</u>	<u>\$ 34,847</u>	<u>\$ 27,381</u>	<u>\$ 35,203</u>	<u>\$ 70,891</u>

* Includes prepaid items, inventory and encumbrances prior to FY 2011 due to GASB 54

Note: The City implemented GASB 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011. The classification of fund balances were not restated for years prior to FY 2011.

Table 4

CITY OF RICHARDSON, TEXAS
Changes in Fund Balances, Governmental Funds
Last ten fiscal years
(In thousands)
(unaudited)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues:										
Property taxes	\$ 55,101	\$ 57,814	\$ 58,085	\$ 61,339	\$ 63,753	\$ 64,565	\$ 68,362	\$ 70,744	\$ 78,762	\$ 87,317
Franchise taxes	11,871	12,206	12,275	13,533	13,561	14,289	15,038	15,647	16,058	16,446
Sales tax	23,286	23,070	24,967	24,753	25,246	26,600	29,805	31,065	33,660	36,044
Mixed beverage and bingo tax	406	401	392	408	338	352	464	523	543	587
Hotel/motel taxes	3,314	2,585	2,713	3,039	3,013	3,322	3,665	3,937	4,436	4,276
Drainage fees	-	-	-	-	1,781	2,705	2,582	2,702	2,755	2,754
911 revenue	1,336	1,377	1,521	1,579	1,676	1,724	1,723	1,731	1,727	1,727
Intergovernmental revenue	3,312	8,366	4,946	3,465	2,437	7,732	9,261	4,866	4,927	4,034
Licenses and permits	1,506	1,375	1,466	1,767	2,405	4,000	3,310	3,380	4,638	4,253
Fines and forfeitures	5,008	5,550	5,583	6,398	5,765	6,339	5,482	5,461	5,042	3,461
Interest revenue	4,820	2,278	327	393	154	92	90	134	375	685
Civic center use	384	334	328	299	331	328	295	300	315	268
Eisemann center revenue	1,936	2,452	2,143	2,411	2,396	2,026	2,177	2,143	2,232	2,543
Recreation and leisure	2,898	2,891	3,275	3,327	3,207	3,743	4,091	5,302	6,064	6,336
Rents	59	79	21	64	-	-	-	-	-	-
Public safety	1,672	1,759	1,819	1,591	2,396	2,236	2,095	2,434	2,602	2,636
Contributions	565	138	293	124	99	64	615	256	261	194
Participation	104	56	171	55	140	316	272	2,257	405	-
Other	1,055	864	886	964	745	813	1,184	1,129	1,644	1,399
General administration	6,968	6,932	6,745	8,101	8,496	8,235	7,652	8,128	8,054	7,955
Total revenues	\$ 125,601	\$ 130,527	\$ 127,956	\$ 133,610	\$ 137,939	\$ 149,481	\$ 158,163	\$ 162,139	\$ 174,500	\$ 182,915
Expenditures:										
General government	\$ 32,311	\$ 29,260	\$ 28,358	\$ 34,818	\$ 29,772	\$ 30,454	\$ 37,522	\$ 37,401	\$ 45,649	\$ 60,986
Public safety	36,507	38,860	38,193	39,627	40,035	41,881	43,163	44,415	47,917	49,976
Public services	17,328	19,542	18,613	18,020	18,780	19,704	20,920	22,142	25,288	22,136
Library	3,407	3,640	3,527	3,448	3,354	3,513	3,478	3,543	3,640	3,754
Parks and recreation	11,026	11,049	11,181	11,146	11,530	11,891	11,790	14,339	14,349	15,443
Public health	1,315	1,401	1,298	1,322	1,422	1,535	1,629	1,673	1,863	1,982
General administration	427	480	555	2,004	2,690	2,130	1,565	2,028	2,013	1,058
Capital outlay	27,552	37,125	20,934	20,701	21,397	50,941	40,698	38,419	28,386	29,967
Debt service:										
Principal retirement	11,311	12,308	12,548	14,425	15,738	16,421	17,901	19,300	19,860	24,614
Interest and fiscal charges	10,183	9,620	9,063	11,140	11,095	10,772	10,608	10,344	11,316	10,950
Payments for other obligations	474	2,690	1,228	812	859	1,052	1,215	902	2,584	2,954
Issuance costs	33	219	841	84	195	272	119	541	342	509
Total expenditures	\$ 151,874	\$ 166,194	\$ 146,339	\$ 157,547	\$ 156,867	\$ 190,566	\$ 190,608	\$ 195,047	\$ 203,207	\$ 224,329
Deficiency of revenues under expenditures	(26,273)	(35,667)	(18,383)	(23,937)	(18,928)	(41,085)	(32,445)	(32,908)	(28,707)	(41,414)

(Continued)

Table 4

CITY OF RICHARDSON, TEXAS
Changes in Fund Balances, Governmental Funds
Last ten years fiscal years
(continued)
(In thousands)
(unaudited)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Other financing sources (uses):										
Transfers in	\$ 4,916	\$ 4,030	\$ 4,520	\$ 3,247	\$ 4,121	\$ 5,650	\$ 4,594	\$ 6,503	\$ 10,011	\$ 9,610
Transfers out	(5,033)	(4,049)	(5,215)	(3,736)	(6,330)	(6,202)	(5,652)	(9,531)	(10,011)	(9,610)
Issuance of certificates of obligation	4,500	5,370	7,520	3,085	6,050	4,290	12,500	17,270	4,045	30,930
Issuance of general obligation bonds	5,933	-	60,665	-	-	-	-	-	8,265	19,725
Issuance of refunding bonds	-	14,460	18,440	6,039	6,270	18,000	-	45,741	14,020	-
Issuance of other obligations	-	1,740	1,124	6,535	192	10,909	13,789	10,654	22,252	26,042
Premium/discount on bonds	-	772	7,378	15	760	2,811	34	277	2,720	1,659
Payment to refunded bond escrow agent	-	(14,992)	(19,502)	(5,981)	(6,779)	(20,417)	-	(45,341)	(15,904)	-
Insurance and other recoveries	218	127	128	40	107	170	10	190	2,459	137
Gain from sale of capital assets	125	226	145	204	531	77	51	84	74	342
Total other financing sources	<u>10,659</u>	<u>7,684</u>	<u>75,203</u>	<u>9,448</u>	<u>4,922</u>	<u>15,288</u>	<u>25,326</u>	<u>25,847</u>	<u>37,931</u>	<u>78,835</u>
Net change in fund balances	<u>\$ (15,614)</u>	<u>\$ (27,983)</u>	<u>\$ 56,820</u>	<u>\$ (14,489)</u>	<u>\$ (14,006)</u>	<u>\$ (25,797)</u>	<u>\$ (7,119)</u>	<u>\$ (7,061)</u>	<u>\$ 9,224</u>	<u>\$ 37,421</u>
Debt service as a percentage of non-capital expenditures	17.67 %	19.07 %	18.21 %	19.27 %	20.44 %	20.23 %	19.91 %	19.47 %	20.01 %	22.47 %

Table 5

CITY OF RICHARDSON, TEXAS
 Assessed Value and Estimated Actual Value of Taxable Property
 Last ten fiscal years
 (unaudited)

Fiscal year ended September 30	Residential property	Commercial property	Industrial property	Less total exemptions/ reductions	Total taxable assessed value (1)	Total direct tax rate
2008	\$ 5,026,605,219	\$ 5,272,014,733	\$ 704,144,777	\$ 1,520,273,606	\$ 9,482,491,123	0.57516
2009	5,111,539,277	5,623,829,303	722,165,902	1,630,819,971	9,826,714,511	0.57516
2010	5,085,566,353	5,673,549,267	707,813,308	1,629,085,082	9,837,843,846	0.57516
2011	5,152,705,610	5,669,348,071	726,964,527	1,872,428,656	9,676,589,552	0.63516
2012	5,093,892,359	5,941,833,474	696,387,354	2,051,284,896	9,680,828,291	0.63516
2013	5,064,251,846	6,019,687,573	812,199,657	1,937,327,183	9,958,811,893	0.63516
2014	5,120,141,991	6,555,445,029	864,733,351	2,098,603,635	10,441,716,736	0.63516
2015	5,361,295,791	6,859,193,040	909,835,399	2,322,046,075	10,808,278,155	0.63516
2016	5,742,269,842	8,281,055,896	748,742,290	3,231,115,761	11,540,952,267	0.63516
2017	6,565,413,521	9,497,512,380	754,632,663	3,818,620,376	12,998,938,188	0.62516

Source: Dallas and Collin County Central Appraisal District, and the City's Tax Department.

(1) Net of Tax Increment Financing (TIF) Districts values.

Table 6

CITY OF RICHARDSON, TEXAS
 Direct and Overlapping Property Tax Rates
 Last ten fiscal years
 (Per \$100 of assessed value)
 (unaudited)

Fiscal year	City direct rates			Overlapping rates								
	Operations and maintenance rate	Interest and sinking rate	Total	Richardson School District	Collin County	Collin County Community College District	Plano Independent School District	Garland Independent School District	Dallas County	Dallas County Hospital District	Dallas County Community College District	Dallas County School Equalization Fund
2008	\$ 0.362810	\$ 0.212350	\$ 0.575160	\$ 1.340050	\$ 0.245000	\$ 0.086984	\$ 1.268400	\$ 1.253300	\$ 0.228100	\$ 0.254000	\$ 0.080400	\$ 0.004714
2009	0.362810	0.212350	0.575160	1.340050	0.242500	0.086493	1.303400	1.253300	0.228100	0.254000	0.089400	0.004928
2010	0.362810	0.212350	0.575160	1.340050	0.242500	0.086300	1.328400	1.253300	0.228100	0.274000	0.094900	0.005212
2011	0.362810	0.272350	0.635160	1.340050	0.240000	0.086300	1.353400	1.253300	0.243100	0.271000	0.099230	0.010000
2012	0.362810	0.272350	0.635160	1.340050	0.240000	0.086300	1.373400	1.253300	0.243100	0.271000	0.099670	0.010000
2013	0.362810	0.272350	0.635160	1.340050	0.240000	0.086299	1.373400	1.253300	0.243100	0.271000	0.119375	0.009937
2014	0.365310	0.269850	0.635160	1.340050	0.237500	0.083643	1.453000	1.253300	0.243100	0.276000	0.124700	0.010000
2015	0.370310	0.264850	0.635160	1.340050	0.235000	0.081960	1.448000	1.253300	0.243100	0.286000	0.124775	0.010000
2016	0.380310	0.254850	0.635160	1.340050	0.225000	0.081960	1.439000	1.353300	0.243100	0.286000	0.123650	0.010000
2017	0.370310	0.254850	0.625160	1.390050	0.208395	0.081222	1.439000	1.460000	0.243100	0.279400	0.122933	0.009271

Source: Dallas County Central Appraisal District, Collin County Central Appraisal District, and the City's records.

Notes: Tax rates are per \$100 of assessed value.

Table 7

CITY OF RICHARDSON, TEXAS
Principal Property Taxpayers
Current year and nine years ago
(unaudited)

Name of Taxpayer	2017			2008		
	Taxable assessed value (a)	Rank	Percentage of total city taxable assessed value (b)	Taxable assessed value (a)	Rank	Percentage of total city taxable assessed value (c)
KDC	\$ 536,493,198	1	3.83 %	\$ -	-	- %
Bank of America	297,289,588	2	2.12	57,053,832	9	0.60
Collins Technology Park Partners	265,123,000	3	1.90	-	-	-
Qorvo	264,464,924	4	1.89	-	-	-
CISCO Systems	205,174,611	5	1.47	93,014,339	5	0.98
IBM	199,212,586	6	1.42	53,030,326	10	0.56
Verizon	141,261,506	7	1.01	118,207,833	3	1.24
Health Care Services Corp. (BCBSTX)	133,169,339	8	0.95	-	-	-
AT&T	120,987,086	9	0.86	194,192,290	1	2.04
Texas Instruments	98,917,378	10	0.71	98,989,637	4	1.04
Nortel Networks	-	-	-	120,654,045	2	1.27
Crescent Real Estate	-	-	-	74,017,548	6	0.78
Fujitsu	-	-	-	63,419,787	7	0.67
TXU/Texas Utilities Electric	-	-	-	57,156,090	8	0.60
Total	<u>\$ 2,262,093,216</u>		<u>16.16 %</u>	<u>\$ 929,735,727</u>		<u>9.78 %</u>

Source: Dallas County Central Appraisal District, Collin County Central Appraisal District, and City records.

Note:

- (a) Includes TIF values
- (b) Total Taxable Value October 1, 2016 = \$13,990,521,446
- (c) Total Taxable Value October 1, 2007 = \$9,536,507,360

Table 8

CITY OF RICHARDSON, TEXAS
 Property Taxes Levies and Collections
 Last ten fiscal years (1)
 (unaudited)

Fiscal year ended September 30	Taxes Levied for the Fiscal Year (2)	Subsequent Adjustments	Total Adjusted Levy at 9/30/17	Collected within the fiscal year of the levy		Total collections to date		
				Amount	Percentage of Taxes Levied for the Fiscal Year	Collections in subsequent years	Amount	Percentage of Adjusted Levy
2008	\$ 54,730,772	\$ (14,028)	\$ 54,716,744	\$ 54,356,874	99.32 %	\$ 328,988	\$ 54,685,862	99.94 %
2009	57,193,029	(48,313)	57,144,716	56,793,451	99.30	288,032	57,081,483	99.89
2010	57,644,880	(102,220)	57,542,660	57,283,266	99.37	189,692	57,472,958	99.88
2011	61,383,092	896,927	62,280,019	61,020,848	99.41	1,173,853	62,194,701	99.86
2012	62,836,249	31,214	62,867,463	62,496,395	99.46	295,736	62,792,131	99.88
2013	64,374,498	(192,878)	64,181,620	63,980,358	99.39	94,509	64,074,867	99.83
2014	68,105,024	135,321	68,240,345	67,862,416	99.64	(11,838)	67,850,578	99.43
2015	70,561,704	(114,972)	70,446,732	70,275,798	99.59	44,545	70,320,343	99.82
2016	78,509,994	(252,158)	78,257,836	78,176,975	99.58	(107,627)	78,069,348	99.76
2017	87,404,711	-	87,404,711	87,087,236	99.64	-	87,087,236	99.64

- (1) This table was reformatted for FY 2012 to provide better clarity regarding taxes levied in the original year of collection versus levy adjustments and collections in subsequent years.
- (2) Taxes levied for the fiscal year include the certified roll plus any adjustments that occur in the fiscal year that the taxes are due.

Source: Dallas and Collin County Tax Offices, and the City's Tax Department.

Table 9

CITY OF RICHARDSON, TEXAS
Ratios of Outstanding Debt by Type (1)
Last ten fiscal years
(unaudited)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
GOVERNMENTAL ACTIVITIES										
General Obligation Bonds	\$ 160,411,425	\$ 154,898,857	\$ 221,126,083	\$ 212,489,620	\$ 203,891,472	\$ 195,175,450	\$ 181,449,602	\$ 162,669,259	\$ 154,949,412	\$ 159,740,000
Certificates of Obligation	36,770,000	34,835,000	23,435,000	20,790,000	19,145,000	18,825,000	27,150,000	38,560,000	36,735,000	57,985,000
Unamortized premium/(discount)	5,125,192	5,568,746	12,449,617	11,730,640	11,742,983	13,044,030	12,131,942	15,950,679	16,398,001	16,341,255
Total general obligation bonds and certificates of obligation	<u>202,306,617</u>	<u>195,302,603</u>	<u>257,010,700</u>	<u>245,010,260</u>	<u>234,779,455</u>	<u>227,044,480</u>	<u>220,731,544</u>	<u>217,179,938</u>	<u>208,082,413</u>	<u>234,066,255</u>
TIF Obligation (2)	3,299,865	3,299,865	3,299,865	8,239,481	8,239,481	18,175,159	31,964,048	41,506,816	62,451,680	86,132,860
Other Obligations	7,572,046	8,877,937	4,805,514	5,588,922	4,921,832	4,842,740	3,622,492	3,832,124	2,554,995	1,962,228
Total TIF and other obligations	<u>10,871,911</u>	<u>12,177,802</u>	<u>8,105,379</u>	<u>13,828,403</u>	<u>13,161,313</u>	<u>23,017,899</u>	<u>35,586,540</u>	<u>45,338,940</u>	<u>65,006,675</u>	<u>88,095,088</u>
Total governmental activities	<u>\$ 213,178,528</u>	<u>\$ 214,810,573</u>	<u>\$ 213,178,528</u>	<u>\$ 207,480,405</u>	<u>\$ 265,116,079</u>	<u>\$ 258,838,663</u>	<u>\$ 247,940,768</u>	<u>\$ 250,062,379</u>	<u>\$ 273,089,088</u>	<u>\$ 322,161,343</u>
BUSINESS-TYPE ACTIVITIES										
Water/Sewer Revenue Bonds	\$ 855,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General Obligation Refunding Bonds	963,575	7,011,143	15,058,917	14,480,380	21,578,528	18,834,550	17,165,398	17,625,741	21,565,588	19,095,000
Certificates of Obligation	52,115,000	49,840,000	48,705,000	50,220,000	38,930,000	37,110,000	35,075,000	32,570,000	25,680,000	28,275,000
Unamortized premium/(discount)	(36,756)	343,587	1,335,658	1,244,165	1,916,392	1,878,147	1,694,323	2,080,380	3,261,227	3,189,744
Total general obligation bonds and certificates of obligation	<u>53,896,819</u>	<u>57,194,730</u>	<u>65,099,575</u>	<u>65,944,545</u>	<u>62,424,920</u>	<u>57,822,697</u>	<u>53,934,721</u>	<u>52,276,121</u>	<u>50,506,815</u>	<u>50,559,744</u>
Other Obligations	82,734	123,281	62,487	43,056	22,834	1,792	-	-	-	-
Total other obligations	<u>82,734</u>	<u>123,281</u>	<u>62,487</u>	<u>43,056</u>	<u>22,834</u>	<u>1,792</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>\$ 53,979,553</u>	<u>\$ 57,318,011</u>	<u>\$ 65,162,062</u>	<u>\$ 65,987,601</u>	<u>\$ 62,447,754</u>	<u>\$ 57,824,489</u>	<u>\$ 53,934,721</u>	<u>\$ 52,276,121</u>	<u>\$ 50,506,815</u>	<u>\$ 50,559,744</u>
Total primary government	<u>\$ 267,158,081</u>	<u>\$ 264,798,416</u>	<u>\$ 330,278,141</u>	<u>\$ 324,826,264</u>	<u>\$ 310,388,522</u>	<u>\$ 307,886,868</u>	<u>\$ 310,252,805</u>	<u>\$ 314,794,999</u>	<u>\$ 323,595,903</u>	<u>\$ 372,721,087</u>
% of personal income (3)	8.6 %	8.4 %	10.2 %	10.1 %	9.4 %	9.3 %	9.2 %	8.9 %	9.0 %	10.0 %
Per capita (3)	\$ 2,741	\$ 2,656	\$ 3,329	\$ 3,251	\$ 3,090	\$ 3,053	\$ 3,047	\$ 3,073	\$ 3,103	\$ 3,470

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

- (1) In FY 2014, this table was restated to include the unamortized premium and discount for all years presented. These components are generated as part of debt issuance, and are amortized as non-cash interest expense over the life of the debt.
- (2) Tax increment financing (TIF) is used to finance public improvements within defined areas for economic development. The developer incurs the costs to install the necessary public infrastructure and other public improvements. The City reimburses the developer based on the increased tax increments within the TIF boundaries over the contracted period. The City's liability to the developer lasts until paid in full or expiration of TIF zone contract.
- (3) See table 14 for personal income and population data.

Table 10

CITY OF RICHARDSON, TEXAS
Ratios of General Bonded Debt Outstanding (1)
Last ten fiscal years
(unaudited)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>GOVERNMENTAL ACTIVITIES</u>										
General obligation bonds	\$ 160,411,425	\$ 154,898,857	\$ 221,126,083	\$ 212,489,620	\$ 203,891,472	\$ 195,175,450	\$ 181,449,602	\$ 162,669,259	\$ 154,949,412	\$ 159,740,000
Certificates of obligation	36,770,000	34,835,000	23,435,000	20,790,000	19,145,000	18,825,000	27,150,000	38,560,000	36,735,000	57,985,000
Unamortized premium/(discount)	2,418,958	2,763,680	8,966,461	8,539,469	11,742,982	13,044,030	12,131,942	15,950,679	16,398,001	16,341,255
Total general obligation bonds and certificates of obligation	<u>199,600,383</u>	<u>192,497,537</u>	<u>253,527,544</u>	<u>241,819,089</u>	<u>234,779,454</u>	<u>227,044,480</u>	<u>220,731,544</u>	<u>217,179,938</u>	<u>208,082,413</u>	<u>234,066,255</u>
<u>BUSINESS-TYPE ACTIVITIES</u>										
Water/Sewer revenue bonds	\$ 855,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General obligation refunding bonds	963,575	7,011,143	15,058,917	14,480,380	21,578,528	18,834,550	17,165,398	17,625,741	21,565,588	19,095,000
Certificates of obligation	52,115,000	49,840,000	48,705,000	50,220,000	38,930,000	37,110,000	35,075,000	32,570,000	25,680,000	28,275,000
Unamortized premium/(discount)	(54,094)	90,805	698,799	666,020	1,916,392	1,878,147	1,694,323	2,080,380	3,261,227	3,189,744
Total general obligation bonds and certificates of obligation	<u>53,879,481</u>	<u>56,941,948</u>	<u>64,462,716</u>	<u>65,366,400</u>	<u>62,424,920</u>	<u>57,822,697</u>	<u>53,934,721</u>	<u>52,276,121</u>	<u>50,506,815</u>	<u>50,559,744</u>
Total primary government	<u>\$ 253,479,864</u>	<u>\$ 249,439,485</u>	<u>\$ 317,990,260</u>	<u>\$ 307,185,489</u>	<u>\$ 297,204,374</u>	<u>\$ 284,867,177</u>	<u>\$ 274,666,265</u>	<u>\$ 269,456,059</u>	<u>\$ 258,589,228</u>	<u>\$ 284,625,999</u>
% of actual taxable value of property (2)	2.7 %	2.5 %	3.2 %	3.2 %	3.1 %	2.9 %	2.6 %	2.5 %	2.2 %	2.1 %
Per capita (3)	\$ 2,601	\$ 2,502	\$ 3,205	\$ 3,074	\$ 2,959	\$ 2,825	\$ 2,698	\$ 2,631	\$ 2,479	\$ 2,650

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

- (1) In FY 2014, this table was restated to include the unamortized premium and discount for all years presented. These components are generated as part of debt issuance, and are amortized as non-cash interest expense over the life of the debt.
- (2) See table 5 for property value data.
- (3) See table 14 population data.

Table 11

CITY OF RICHARDSON, TEXAS
 Direct and Overlapping Governmental Activities Debt
 September 30, 2017
 (unaudited)

<u>Government unit</u>	<u>Debt outstanding</u>	<u>Estimated percentage applicable (1)</u>	<u>Estimated share of overlapping debt</u>
Debt repaid with property taxes:			
Richardson Independent School District	\$ 602,114,992	37.72 %	\$ 227,117,775
Plano Independent School District	1,031,725,000	12.14	125,251,415
Dallas County	199,545,000	3.55	7,083,848
Dallas County Schools	40,330,000	3.55	1,431,715
Dallas County Hospital District	703,770,000	3.55	24,983,835
Dallas County Community College District	263,140,000	3.55	9,341,470
Garland Independent School District	564,701,425	0.03	169,410
Collin County	352,380,000	5.62	19,803,756
Collin County Community College District	14,590,000	5.62	819,958
Subtotal, overlapping debt			<u>416,003,182</u>
City direct debt			<u>322,161,343</u> (2)
Total direct and overlapping bonded debt			<u><u>\$ 738,164,525</u></u>

- (1) Estimated percentage applicable to the City is calculated by taking each entity's taxable values within the City and dividing by the total taxable value for that entity.
- (2) Includes unamortized premium and discounts of \$16,341,255 and TIF and other obligations of \$88,095,088. Amounts for other governmental units only include the value of bonded debt outstanding.

Source: Hilltop Securities Inc.

Table 12

CITY OF RICHARDSON, TEXAS
 Legal Debt Margin Information
 Last ten fiscal years
 (unaudited)

<u>Year</u>	<u>Debt Limit</u>	<u>Total net debt applicable to limit (1)</u>	<u>Legal Debt Margin</u>	<u>Estimated share of overlapping debt</u>
2008	\$ 1,422,373,668	\$ 197,181,425	\$ 1,225,192,243	13.86%
2009	1,474,007,177	189,733,857	1,284,273,320	12.87
2010	1,475,676,577	244,561,083	1,231,115,494	16.57
2011	1,451,488,433	233,279,620	1,218,208,813	16.07
2012	1,452,124,244	223,036,472	1,229,087,772	15.36
2013	1,493,821,784	214,000,450	1,279,821,334	14.33
2014	1,566,257,510	208,599,602	1,357,657,908	13.32
2015	1,621,241,723	201,229,259	1,420,012,464	12.41
2016 (2)	N/A	N/A	N/A	N/A
2017	N/A	N/A	N/A	N/A

- (1) Does not include premiums, discounts or other obligations as these amounts do not apply to the City's debt limit.
- (2) As of November, 2015 the City's Charter was amended to include a Tax Rate Limitation that stipulates that the City may borrow money for permanent public improvements or any other legitimate purpose as may be determined by the City Council, in accordance with the Constitution and the laws of the State of Texas. The Constitution places a limit on the ad valorem tax rate that may be levied for repayment of the ad valorem tax debt, but there is no formal limit on the amount of ad valorem debt that may be borrowed. Prior to the 2015 charter election, the City's limit was equal to 15 percent of the assessed value of the tax roll.

Table 13

CITY OF RICHARDSON, TEXAS
 Pledged-Revenue Coverage
 Last ten fiscal years
 (unaudited)

Water Revenue Bonds							
Fiscal year	Utility service charge	Less operating expenses	Net available revenue	Debt services		Accreted value	Coverage
				Principle	Interest		
2008	\$ 41,071,623	\$ 37,662,979	\$ 3,408,644	\$ 70,000	\$ 45,088	\$ -	29.62
2010	-	-	-	-	-	-	-
2011	-	-	-	-	-	-	-
2012	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-

Note: Details regarding the City’s outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expense.

Water Revenue Bonds were refunded in FY 2009.

Table 14

CITY OF RICHARDSON, TEXAS
 Demographic and Economic Statistics
 Last ten calendar years
 (unaudited)

<u>Calendar Year</u>	<u>Estimated Population (1)</u>	<u>Personal income (thousands of dollars)</u>	<u>Per capita personal income (2)</u>	<u>Median age (2)</u>	<u>School enrollment</u>		<u>Unemployment rate (%) (5)</u>
					<u>R.I.S.D.(3)</u>	<u>P.I.S.D.(4)</u>	
2008	97,450	\$ 3,120,154	\$ 32,018	38.1	35,000	54,129	4.7 %
2009	99,700	3,134,169	31,436	37.2	34,878	54,864	7.3
2010	99,223	3,246,775	32,722	38.1	36,075	55,355	6.9
2011	99,930	3,207,553	32,098	38.1	35,997	54,989	7.5
2012	100,450	3,310,631	32,958	36.2	36,946	55,302	5.5
2013	100,850	3,323,814	32,958	36.2	38,043	55,302	5.6
2014	101,820	3,355,784	32,958	36.2	38,283	54,839	4.5
2015	102,430	3,547,868	34,637	37.6	38,618	54,818	3.5
2016	104,300	3,612,639	34,637	37.6	38,792	54,818	3.7
2017	107,400	3,720,014	34,637	37.6	39,272	53,952	3.0

Sources:

- (1) NCTCOG as of January, 2017.
- (2) Information compiled from the Richardson Economic Development Partnership.
- (3) School Enrollment - Richardson Independent School District.
- (4) School Enrollment - Plano Independent School District.
- (5) Unemployment - Texas Workforce Commission Website.

Note:

The City of Richardson is located in both Dallas and Collin Counties. School children residing in Dallas County are enrolled in the Richardson Independent School District while those residing in Collin County are enrolled in the Plano Independent School District.

Table 15

CITY OF RICHARDSON, TEXAS
Principal Employers
Current year and nine years ago
(unaudited)

Employer	2017			2008		
	Employees (1)	Rank	Percentage of total city employment (2)	Employees (3)	Rank	Percentage of total city employment (4)
State Farm Insurance	8,000	1	13.20 %	-	-	- %
AT&T	5,000	2	8.25	2,140	7	4.17
Blue Cross & Blue Shield of Texas	3,100	3	5.11	2,900	4	5.65
The University of Texas at Dallas	2,674	4	4.41	2,830	5	5.51
Richardson ISD	2,500	5	4.13	4,900	1	9.54
RealPage	2,100	6	3.46	-	-	-
GEICO	1,800	7	2.97	-	-	-
United Healthcare	1,700	8	2.80	-	-	-
Raytheon	1,700	8	2.80	1,100	11	2.14
Fujitsu Network Communications	1,500	9	2.47	1,500	8	2.92
Fossil, Inc.	1,400	10	2.31	800	14	1.56
CISCO Systems	1,400	10	2.31	1,200	9	2.34
Texas Instruments	1,200	11	1.98	-	-	-
City of Richardson	1,010	12	1.67	985	13	1.92
Samsung Mobile	1,000	13	1.65	725	15	1.41
Qorvo	1,000	13	1.65	-	-	-
IQor	1,000	13	1.65	-	-	-
Nortel Networks	-	-	-	4,300	2	8.37
Countrywide Financial	-	-	-	3,000	3	5.84
Verizon Business	-	-	-	2,256	6	4.39
Hewlett Packard Company	-	-	-	1,200	10	2.34
Rockwell Collins	-	-	-	1,100	12	2.14
Total	38,084		62.82 %	30,936		60.24 %

Source:

- (1) Richardson Economic Development Partnership as of November, 2017.
- (2) TWC website provided the total city employment totaled 60,625 as of September, 2017.
- (3) Richardson Economic Development Partnership and City of Richardson, 2008.
- (4) TWC website provided the total city employment totaled 51,359 for September, 2008.

Table 16

CITY OF RICHARDSON, TEXAS
 Full-Time Equivalent City Government Employees by Function/Program
 Last ten fiscal years
 (unaudited)

Function/program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government	146	143	141	143	143	145	149	153	153	152
Public safety	398	399	396	395	395	396	397	411	419	428
Public services	161	161	159	156	157	159	156	154	156	156
Library	35	35	35	35	35	35	29	30	30	30
Parks and recreation (1)	82	78	78	80	81	81	77	94	95	95
Public health	16	16	15	16	17	17	17	17	18	18
Water	64	64	64	66	66	66	66	68	70	70
Wastewater	12	12	12	12	12	12	12	12	12	14
Solid waste	61	70	70	70	70	70	70	71	71	71
Golf (1)	16	16	16	16	16	16	14	-	-	-
Total	991	994	986	989	992	997	987	1,010	1,024	1,034

(1) In FY 2015, the Golf function was reclassified into the Parks and recreation function.

Source: City Budget Office.

Totals updated for years 2009 - 2012 in FY 2013.

Table 17

CITY OF RICHARDSON, TEXAS
Operating Indicators by Function/Program
 Last ten fiscal years
 (unaudited)

Function/program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public safety:										
Police: Number of employees	249	246	229	242	246	246	245	253	258	263
Fire: Number of employees	149	151	150	153	150	150	152	158	161	165
Municipal court:										
Number of violations (citations)	49,008	42,137	46,077	54,113	46,357	48,249	43,144	39,042	32,313	31,338
Public services:										
Asphalt repairs (tons) (1)	7,683	1,322	1,091	1,117	1,184	978	572	600	662	775
Concrete replacement (yards) (1)	-	-	-	-	-	-	3,806	3,118	2,382	2,359
Parks and recreation: Acreage (2)	865	865	865	865	865	865	865	870	873	900
Library: Volumes in collection	-	250,035	262,208	251,535	253,802	260,328	263,782	252,261	252,789	260,881
Water and sewer:										
Number of water consumers	32,064	31,751	31,711	32,407	32,409	32,685	32,895	33,046	33,249	33,427
Average daily water consumption (thousands of gallons) (3)	27,540	23,622	26,703	26,033	22,555	20,482	19,148	22,478	21,920	22,522
Number of sewer consumers	31,518	31,274	31,245	29,192	29,162	29,295	29,533	29,681	29,869	29,983
Solid waste:										
Refuse collected (tons/day) (5)	162	149	152	143	136	138	136	188	163	151
Bulky/brush pickups (tons/day) (5)	67	60	65	59	64	62	71	36	37	24
Recyclables collected (tons/day)	20	22	28	28	30	27	26	26	27	19
Golf: Number of rounds played (4)	102,584	100,266	75,630	92,999	92,681	87,003	71,488	47,893	68,823	74,355

- (1) Asphalt repairs were reduced in FY 2014 because in FY 2014 public services began a new program focusing on full concrete replacement rather than asphalt overlays.
- (2) Park and Recreation Acreage - Prior to 2008 acreage was reported as all land that the Parks Department maintained (included ROW, medians, etc.). Starting in 2008, reported totals are only acreage of park land.
- (3) In FY 2015, the average daily water consumption has increased because watering restrictions were lifted. In FY 2016 the City received higher than average rainfall.
- (4) Course 1 was closed from February 1, 2015 through October 16, 2015.
- (5) Beginning in FY 2015, refuse includes other bulky trash that is not composted.

Source: City Departments

Table 18

CITY OF RICHARDSON, TEXAS
 Capital Asset Statistics by Function/Program
 Last ten fiscal years
 (unaudited)

Function/program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public safety:										
Police stations	2	2	2	2	2	2	2	2	2	2
Police patrol units	44	43	42	43	46	48	50	46	43	43
Volunteer patrol units	2	3	3	3	3	2	3	3	3	3
Fire stations	6	6	6	6	6	6	6	6	6	6
Public works:										
Streets - paved (miles)	402	405	404	404	406	409	411	587	590	590
Alleys - paved (miles)	223	223	221	221	222	222	222	222	223	223
Sidewalks (miles)	585	585	651	651	652	665	678	678	680	683
Streetlights	6,120	6,159	6,171	6,207	6,211	6,234	6,241	6,288	6,301	6,301
Parks and recreation:										
Parks	30	30	30	32	32	33	33	35	36	38
Playgrounds	28	28	28	29	29	30	30	31	31	33
Swimming pools	5	5	5	5	5	5	5	5	5	5
Tennis courts	32	32	32	32	32	32	32	32	32	32
Recreation centers	2	2	2	2	2	2	2	2	2	2
Senior center	1	1	1	1	1	1	1	1	1	1
Water:										
Water mains (miles)	559	563	567	569	571	574	581	581	585	585
Fire hydrants	4,062	4,056	4,110	4,156	4,187	4,258	4,359	4,419	4,522	4,609
Wastewater:										
Sanitary sewers (miles)	499	499	499	499	500	503	503	503	503	503

Source: City Departments

CITY OF RICHARDSON, TEXAS
Schedule of Pension Benefits Funding Progress (1)
Last ten fiscal years
(unaudited)

Actuarial valuation date	Fiscal Year	(a)	(b)	(c)	(d)	Equivalent Single Amortization period in years (6)	(e)	UAAL as a percentage of covered payroll (%) (d)/(e) (2)
		Actuarial value of assets	Actuarial accrued liability (AAL)	Funded ratio (%) (a)/(b)	Unfunded ALL (UAAL) (b)-(a)		Annual covered payroll (2)	
12/31/07 (3)	2008	\$ 166,224,131	\$ 219,709,038	75.66 %	\$ 53,484,907	25	\$ 52,078,971	102.70 %
12/31/08	2009	169,208,373	262,453,428	64.47	93,245,055	30	54,789,624	170.19
12/31/09	2010	176,026,211	276,540,082	63.65	100,513,871	29	58,633,974	171.43
12/31/10 (4)	2011	313,084,736	359,151,109	87.17	46,066,373	27	58,251,916	79.08
12/31/11	2012	335,735,994	377,190,581	89.01	41,454,587	26	59,243,331	69.97
12/31/12	2013	357,883,017	393,548,291	90.94	35,665,274	25.3	60,109,888	59.33
12/31/13 (5)	2014	381,584,128	434,417,023	87.84	52,832,895	17	64,560,755	81.83
12/31/14	2015	403,661,975	452,625,423	89.18	48,963,448	16	65,295,964	74.99
12/31/15	2016	424,808,953	479,358,126	88.62	54,549,173	16	67,329,906	81.02
12/31/16	2017	444,939,761	501,315,736	88.75	56,375,975	15.3	70,066,638	80.46

- (1) This schedule shows the pension benefit on a funding basis, as reported by TMRS each year. The funding basis, which is used to determine the City's annual contribution rate, uses an actuarial value for plan assets rather than a market value. This data is used to show ongoing funding progress of the plan with the normal cyclical swings of the stock market average out next year.
- (2) Covered annual payroll and UAAL as a percentage of covered payroll are based on the fiscal year. The rest of the information is provided by TMRS on a calendar year basis.
- (3) In 2007, the TMRS Board made several changes to the actuarial methods and plan assumptions. The actuarial method changed from unit credit to projected unit credit. Benefits changed from a pay-as-you-go basis to a pre-funded basis and to mitigate that change the TMRS Board approved an eight year transition period. In addition, the amortization period changed from a 25-year open period to a 30-year closed period. These changes were incorporated into the TMRS 2007 actuarial valuation.
- (4) The Texas State Legislature met in 2011 and passed Senate Bill 350, which restructured TMRS' internal account structure. This change was incorporated into the TMRS 2010 actuarial valuation and had the net effect of increasing the City's funded ratio.
- (5) In 2013, the TMRS Board, in preparation for implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, changed the actuarial cost method to entry age normal and updated post-retirement mortality assumptions. These changes were incorporated into the TMRS 2013 actuarial valuation which had the net effect of reducing the City's funded ratio and reducing the remaining amortization period from 25.3 to 17 years for the City's fiscal year 2014.
- (6) Fiscal year 2007 was an open amortization period. The remaining fiscal years were closed amortization periods.