



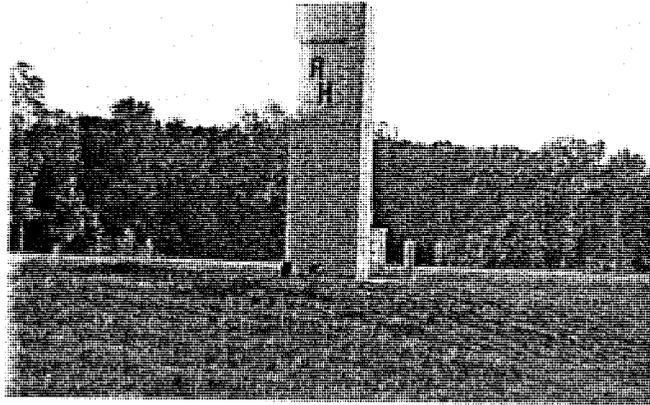
**CITY OF RICHLAND HILLS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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

GMS
GEORGE M MORGAN
& SNEED, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

REQUIRED SUPPLEMENTARY INFORMATION



Richland Hills, *We're in the middle of things...*

CITY OF RICHLAND HILLS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2010

Prepared by the Finance Department

CITY OF RICHLAND HILLS, TEXAS
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2010

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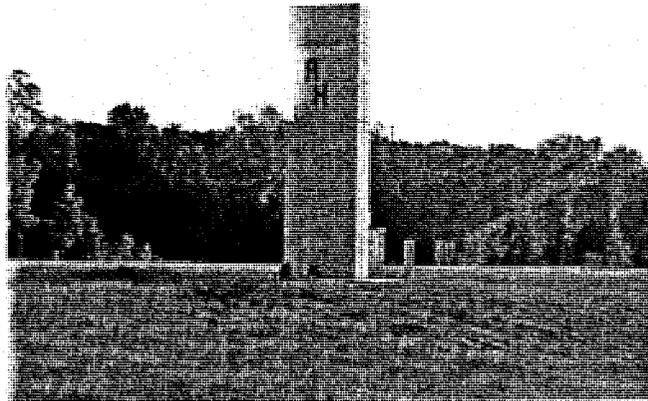
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INTRODUCTORY SECTION



Richland Hills, *We're in the middle of things...*



CITY OF RICHLAND HILLS, TEXAS

595-6600 • 3200 DIANA DRIVE • RICHLAND HILLS, TEXAS • 76118

April 26, 2011

The Honorable Mayor and Members of the City Council
City of Richland Hills
Richland Hills, Texas

The Richland Hills City staff is pleased to submit the Comprehensive Annual Financial Report of the City of Richland Hills, Texas, for the fiscal year ended September 30, 2010. The purpose of the report is to provide the Council, managements, staff, public and other interested parties with detailed information reflecting the City's financial condition.

THE REPORT

The report satisfies Chapter 103.001 of the Texas Local Government Code requiring annual audits of all municipalities. This report consists of management's representations concerning the finances of the City of Richland Hills. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Richland Hills has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Richland Hills' financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Richland Hills' comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

The City of Richland Hills' financial statements have been audited by George, Morgan, and Sneed, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of



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the City of Richland Hills for the fiscal year ended September 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Richland Hills' financial statements for the fiscal year ended September 30, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The Comprehensive Annual Financial Report is organized into three major sections: Introductory, Financial and Statistical. The Introductory Section contains a list of principal City Officials, an organizational chart of the City Government, and this letter of transmittal. The Financial Section includes the Management's Discussion and Analysis (MD&A), general purpose financial statements, and the opinion of the independent auditor and supplementary information. The MD&A is a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement and should be read in conjunction with the MD&A. The Statistical Section, through the use of tables, presents comparative economic and financial data to give users of the report a perspective of the City's performance over a number of years.

The Reporting Entity

The City of Richland Hills, incorporated in 1950, is located in the middle of a major metropolitan area in north central part of the state. The City of Richland Hills currently occupies a land area of 3.9 square miles and serves a population of 8,132. The City of Richland Hills is empowered to levy a property tax on both real and personal properties located within its boundaries.

The City of Richland Hills has operated under the council-manager form of government since 1985. Policy-making and legislative authority are vested in a governing council consisting of the mayor and five other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the government's manager. The government's manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. Council members serve two-year staggered terms with three council members elected in odd-numbered years and the mayor and two council members elected in even-numbered years. The mayor and council members are elected from the City at large.

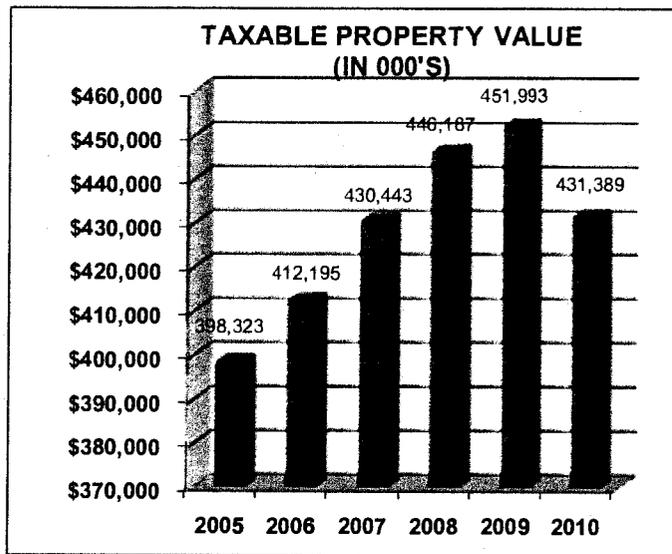
The City of Richland Hills provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; and recreational activities and cultural events. Water and sanitation services are provided as a department of the City of Richland Hills and therefore have been included as an integral part of the City of Richland Hills' financial statements.

The annual budget serves as the foundation for the City of Richland Hills' financial planning and control. All departments of the City of Richland Hills are required to submit requests for appropriation to the government's manager in May of each year. The government's manager uses these requests as the starting point for developing a proposed budget. The government's manager then presents this proposed budget to the council for review by at least 60 days prior to October 1. The council is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than September 30, the close of the City of Richland Hills' fiscal year. The appropriated budget is prepared by fund, and department (e.g., police). The government's manager is authorized to transfer budgeted amounts between line items within any fund. Any revisions that alter the total expenditures of any fund require special approval of the governing council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 48 as part of the basic financial statements for the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report.

Factors Affecting Financial Condition

The primary goal of the upcoming budget year is to continue the high level of service delivered to residents, and ensure the efficacious delivery of programs. The City will again face revenue limitations in the upcoming fiscal year because of the uncertainty of the economy and continued decline of city sales tax, municipal court and permit revenues.

Because of the poor economy, the City may very well not generate enough revenues to support any pay plan increase. If this is the case, the City will either have to freeze pay, reduce personnel or request Council increase taxes to fund the pay plan. Another challenge is the realization that the cost of the health care plan may increase. Council will be faced with the dilemma of deciding whether to support both the pay and health insurance plans via an ad valorem increase.



For the 2010 fiscal year, General Fund revenues of \$4,925,756 represented a four percent decline from fiscal year 2009. This decrease can be attributed to a decrease in municipal court fines, sales tax and franchise fees. The General Fund revenues for 2011 are budgeted approximately .44% less than the 2010 budget. The budget established a proposed tax rate of \$.518012 which is approximately a .04 cent increase over the 2010 rate. However, due to the decline in property values, the resulting tax levy will be practically the same as the previous year.

The Enterprise Fund budget is very austere because of the unpredictability of the weather with regard to amount of rainfall. In recent years the Enterprise Fund Balance has been declining attributable to high wastewater charges and low water sales because of unusually wet years. A water and wastewater consultant has been engaged to recommend a new rate structure to position the Enterprise Fund to support public works water and sewer operations without reliance upon the General Fund. The new rates effective October 1, 2010, will increase water and wastewater revenues approximately 34% based on an average monthly residential bill. The City Council also approved a transfer from the Oil and Gas Fund to the Water and Wastewater Fund in the amount of \$500,000 in order to reduce the increase in water and wastewater rates.

Cash Management

The City's cash management policy is adopted by the City Council and strictly defines the parameters by which the City investments are made. This policy fully conforms to the Public Funds Investments Act passed by the 70th State Legislature in 1987 and amended through 2010. Permissible investments include:

- (1) Obligations of the United States or its agencies and instrumentalities with stated maturity not to exceed two years.
- (2) Direct obligations of the State of Texas or its agencies.

- (3) Other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities with stated maturity not to exceed two years.
- (4) Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent.
- (5) Certificates of deposit issued by state and national banks domiciled in Texas that are:
 - (a) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor, or
 - (b) secured by obligations that are described by A through D above, which are intended to include all direct federal agency or instrumentality issued mortgage backed securities that have a market value of not less than the principal amount of the certificates or in other manner and amount provided by law for deposits of Participants.
- (6) Fully collateralized repurchase agreements having a defined termination date, secured by direct obligations of the U.S. or its agencies and instrumentalities, pledged with a third party, selected or approved by the political entity, other than an agency for the pledged. Repurchase agreements must be purchased through a primary government securities dealer, as defined by the Federal Reserve, or a bank domiciled in Texas. Each counterparty to a repurchase transaction is required to sign a copy of the Public Securities Association Master Repurchase Agreement. An executed copy of the Agreement must be on file before the City will enter into any transactions with a counter party.
- (7) Joint pools of political subdivisions in the State of Texas which invest in instruments and follow practices allowed by current law. A pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

Cash temporarily idle during the fiscal year was invested primarily in U. S. Treasury bills, certificates of deposit, and one investment pool. The overall portfolio provided \$7,300 in investment income as of September 30, 2010. It is the City's policy that all demand deposits and time deposits are secured by pledged collateral with a market value equal to no less than 100% of the deposits less an amount insured by the FDIC. The securities which serve as collateral against the City's deposits include U. S. Treasury notes, U. S. Treasury bills, U. S. Government agencies, and municipal/utility revenue bonds. Collateral is reviewed monthly to assure the market value of the securities pledged equal or exceeds the related bank balances.

Risk Management

As a provider of a wide variety of governmental services, the City continues to emphasize risk management. The proliferation of legal actions, ever increasing claims

consciousness of the public and constantly increasing costs of accidents continue to be major concerns.

The risk management objectives of the City are (1) the continuity of essential services to the City, (2) the safety of City employees and the public and (3) the avoidance of unnecessary and unreasonable liability exposure. Various risk control techniques include responsible insurance coverage and employee accident prevention training. Worker's Compensation coverage is currently provided through the Texas Municipal League Intergovernmental Risk Pool.

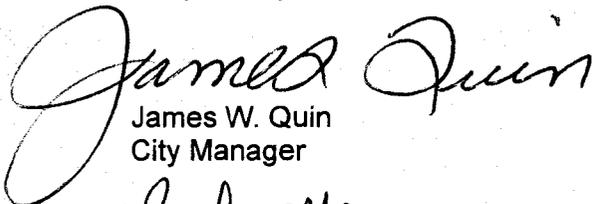
Awards and Acknowledgements

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 of Richland Hills for its comprehensive annual financial report for the fiscal year ended September 30, 2009. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

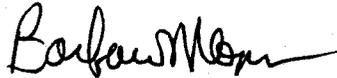
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the cooperation of City employees throughout the organization. Sincere appreciation is also expressed to the Mayor and City Council for their continued interest and support in the conduct of the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



James W. Quin
City Manager



Barbara Mann
Finance/Accounting Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Richland Hills
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

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



President

Executive Director

CITY OF RICHLAND HILLS, TEXAS

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2010

CITY COUNCIL

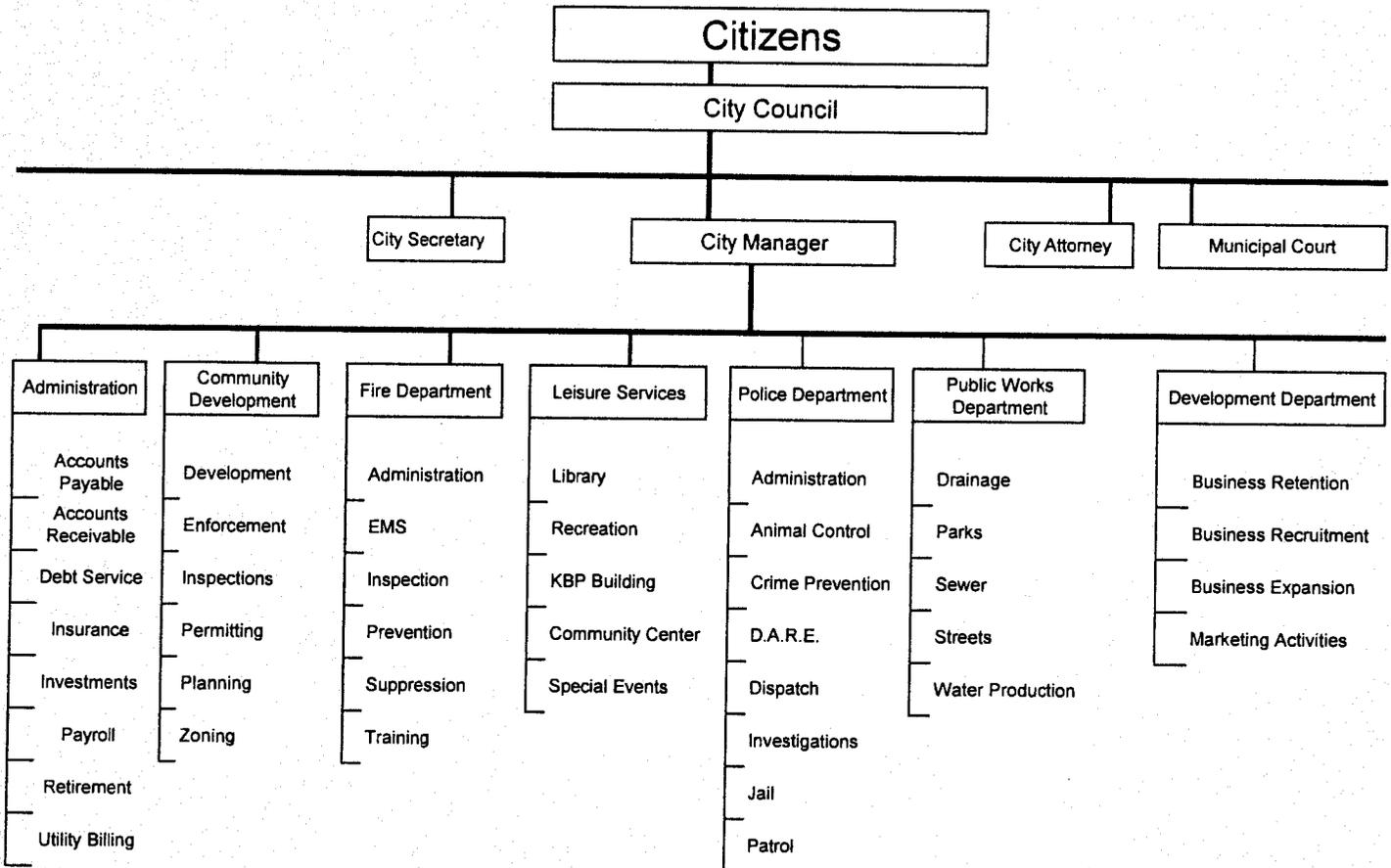
David Ragan, Mayor

James Blyn, Place 1
Kenney Davis, Mayor Pro Tem, Place 2
Andy Baugh, Place 3
Ricky Head, Place 4
Larry Marrs, Place 5

City Staff

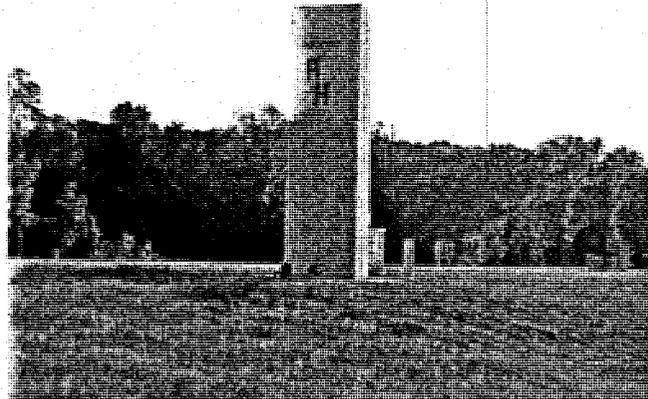
James W. Quin, City Manager
Barbara Childress, Chief of Police
William Bell, Fire Chief
Michael Barnes, Director of Public Works
Theresa Tillery, Library Director
Denice Thomas, Director of Planning and Community Development
Linda Cantu, City Secretary
Alicia St. Cyr, Municipal Court Clerk
Liz Kennedy, Administrative Assistant
Barbara J. Mann, Finance/Accounting Manager

CITY OF RICHLAND HILLS ORGANIZATION CHART



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FINANCIAL SECTION



Richland Hills, *We're in the middle of things...*

HENRY T. GEORGE - CPA
STEVE D. MORGAN - CPA
(1925-1994)
PETER H. MORGAN - CPA
PATRICK E. SNEED - CPA
JAMES E. SLEDGE - CPA
ROY D. STONE - CPA
NEREO R. MATIAS - CPA



CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
AMERICAN INSTITUTE
OF CERTIFIED
PUBLIC ACCOUNTANTS
AND
TEXAS SOCIETY
OF CERTIFIED
PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Richland Hills, Texas

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 Richland Hills, Texas, (the "City") as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2011, on our consideration of the City of Richland Hills, Texas' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

(817) 594-2704
(817) 596-4896
FAX (817) 599-7389

1849 WALL STREET
WEATHERFORD, TEXAS 76086

ESTABLISHED
1959

The management's discussion and analysis on pages 3-16, budgetary comparison schedule – general fund on page 48 and Texas Municipal Retirement System Schedule of Funding Progress on page 49 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 and individual fund statements and schedules, capital assets schedules – governmental funds, and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. These statements and schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. Such additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

George Morgan Smith, P.C.

Weatherford, Texas
March 23, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of The City of Richland Hills, Texas, we offer readers of The City of Richland Hills's financial statements this narrative overview and analysis of the financial activities of The City of Richland Hills for the year ended September 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Richland Hills exceeded its liabilities at the close of the most recent year by \$19,862,212 (*net assets*) compared to \$20,973,314 for the prior year. Of this amount, \$3,863,609 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$1,111,102. The City's governmental activities net assets decreased by \$1,077,038 and the business-type activities net assets decreased \$34,064.
- As of the close of the current year, the City of Richland Hills's governmental funds reported combined ending fund balances of \$3,983,133 compared to \$5,011,243 for the prior year. Approximately \$2,672,823 is available for spending at the City's discretion (unreserved fund balance).
- At the end of the current year, unreserved fund balance for the general fund was \$1,115,619, or 21% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, legislative, municipal court, police, fire and ambulance, code enforcement, animal control, clean city, streets and highways, library, community center, parks and beautification and economic development. The business-type activities of the City include water production and distribution, sewer collection and treatment and drainage utility.

The government-wide financial statements can be found on Exhibits A-1 and B-1 of this report.

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

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

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

The City maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on Exhibits C-1 through C-4 of this report.

Proprietary funds. The City maintains one type of proprietary fund. The 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 and drainage utility operations.

Proprietary funds 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 fund and drainage utility fund.

The basic proprietary fund financial statements can be found on Exhibits D-1 through D-3 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-47 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. Required supplementary information can be found on Exhibits E-1 and E-2 of this report.

The individual major governmental funds and combining and individual nonmajor governmental funds and enterprise fund statements are presented immediately following the required supplementary information. These statements can be found on Exhibits F through K of this report.

Additional information is provided on the City's governmental funds capital assets on Exhibits L-1 through L-3.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$19,862,212 as of September 30, 2010.

The largest portion of the City's net assets (73%) reflects its investment in capital assets (e.g. land, improvements other than buildings, buildings, machinery and equipment, streets and construction in progress); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$3,863,609) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current year, the City is able to report positive balances in all three categories of net assets for the government as a whole, as well as for its separate governmental activities. The City's business-type activities reports negative unrestricted net assets, which, will be discussed later in this management's discussion and analysis.

Below are summaries of the City's Statement of Net Assets and Statement of Activities.

Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 5,377,029	\$ 6,325,738	\$ 4,774,756	\$ 2,324,370	\$ 10,151,785	\$ 8,650,108
Capital assets	9,628,829	9,772,808	11,782,329	11,446,537	21,411,158	21,219,345
Total Assets	<u>15,005,858</u>	<u>16,098,546</u>	<u>16,557,085</u>	<u>13,770,907</u>	<u>31,562,943</u>	<u>29,869,453</u>
Current liabilities	459,471	335,927	491,253	404,044	950,724	739,971
Long-term liabilities	1,801,040	1,940,234	8,948,967	6,215,934	10,750,007	8,156,168
Total liabilities	<u>2,260,511</u>	<u>2,276,161</u>	<u>9,440,220</u>	<u>6,619,978</u>	<u>11,700,731</u>	<u>8,896,139</u>
Net Assets:						
Invested in capital assets net of related debt	8,215,829	8,108,808	6,194,852	6,093,323	14,410,681	14,202,131
Restricted	375,753	439,715	1,212,169	1,039,337	1,587,922	1,479,052
Unrestricted	4,153,765	5,273,862	(290,156)	18,269	3,863,609	5,292,131
Total Net Assets	<u>\$ 12,745,347</u>	<u>\$ 13,822,385</u>	<u>\$ 7,116,865</u>	<u>\$ 7,150,929</u>	<u>\$ 19,862,212</u>	<u>\$ 20,973,314</u>

Changes in Net Assets

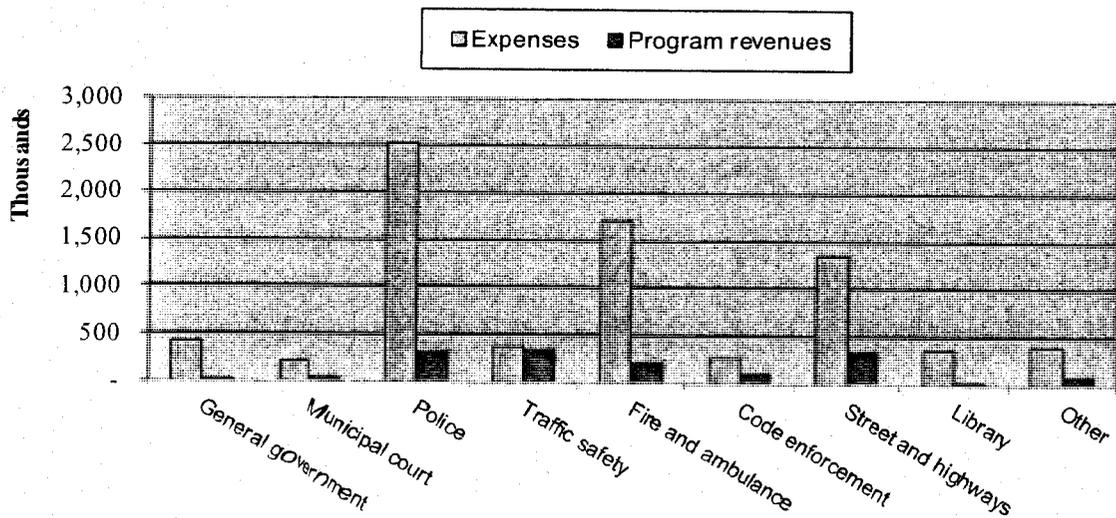
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 1,006,141	\$ 947,396	\$ 4,004,950	\$ 3,829,532	\$ 5,011,091	\$ 4,776,92
Operating grants and contributions	230,056	164,926	-	-	230,056	164,92
Capital grants and contributions	226,239	352,102	-	-	226,239	352,10
General revenues:						
Property taxes	2,119,563	2,083,969	-	-	2,119,563	2,083,96
Sales taxes	2,210,327	2,262,356	-	-	2,210,327	2,262,35
Franchise taxes	480,222	562,590	-	-	480,222	562,59
Hotel Occupancy taxes	121,561	52,079	-	-	121,561	52,07
Investment earnings	3,925	9,476	3,375	9,017	7,300	18,49
Miscellaneous revenue	151,306	938,837	-	-	151,306	938,83
Total revenues	6,549,340	7,373,731	4,008,325	3,838,549	10,557,665	11,212,28
Expenses						
General government	409,627	396,736	-	-	409,627	396,73
Legislative	76,361	86,980	-	-	76,361	86,98
Municipal court	217,429	198,524	-	-	217,429	198,52
Police	2,513,129	2,349,015	-	-	2,513,129	2,349,01
Traffic safety	386,093	195,148	-	-	386,093	195,14
Fire and ambulance	1,708,179	1,616,348	-	-	1,708,179	1,616,34
Code enforcement	270,688	161,647	-	-	270,688	161,64
Animal control	97,350	119,362	-	-	97,350	119,36
Keep Richland Hills Beautiful	20,309	11,462	-	-	20,309	11,46
Street and highways	1,339,330	1,445,582	-	-	1,339,330	1,445,58
Library	364,142	317,101	-	-	364,142	317,10
Community center	46,852	43,719	-	-	46,852	43,71
Parks and beautification	26,670	46,457	-	-	26,670	46,45
Economic development	59,261	80,451	-	-	59,261	80,45
Interest on long-term debt	74,760	82,847	-	-	74,760	82,84
Water production and distribution	-	-	1,903,193	1,903,276	1,903,193	1,903,27
Sewer Collection and Treatment	-	-	2,001,652	1,661,146	2,001,652	1,661,14
Drainage Utility	-	-	153,742	134,218	153,742	134,21
Total expenses	7,610,180	7,151,379	4,058,587	3,698,640	11,668,767	10,850,01
Increase (decrease) in net assets before transfers	(1,060,840)	222,352	(50,262)	139,909	(1,111,102)	362,26
Transfers	(16,198)	(266,198)	16,198	266,198	-	-
Increase (decrease) in net assets	(1,077,038)	(43,846)	(34,064)	406,107	(1,111,102)	362,26
Net Assets October 1	13,822,385	13,866,231	7,150,929	6,744,822	20,973,314	20,611,05
Net Assets September 30	\$ 12,745,347	\$ 13,822,385	\$ 7,116,865	\$ 7,150,929	\$ 19,862,212	\$ 20,973,31

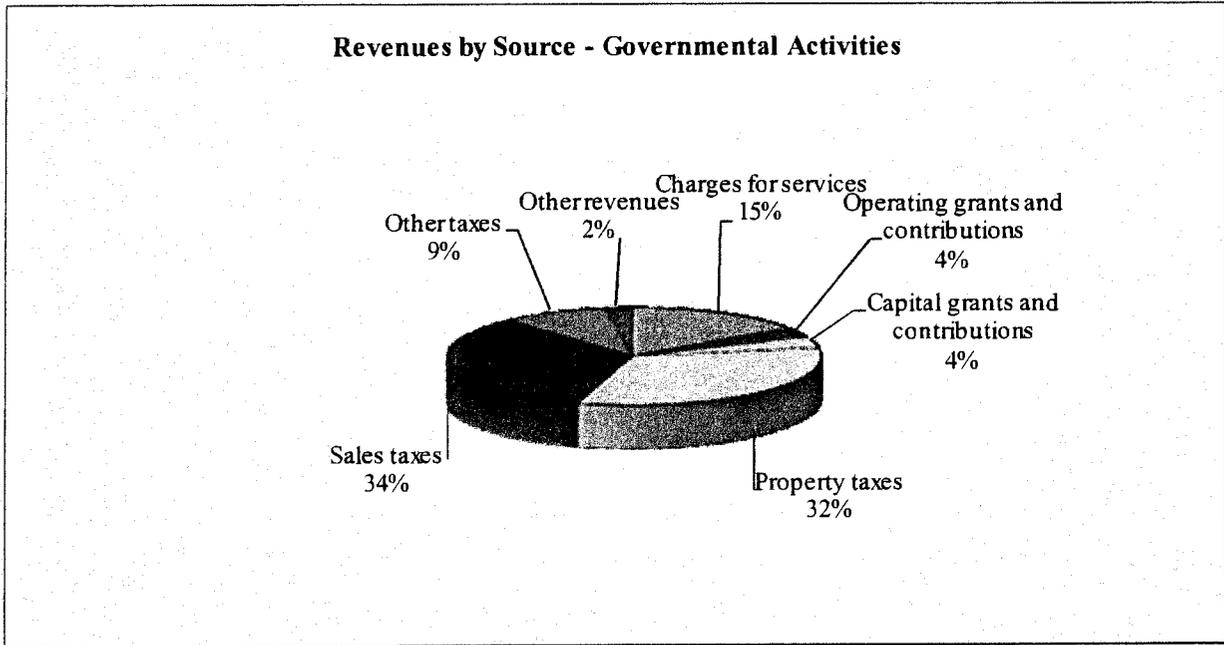
Governmental Activities. Governmental activities decreased the City's net assets by \$1,077,038 in the current year compared with a \$43,846 decrease in the prior year. Total governmental activities revenues decreased \$824,391 (11%) to \$6,549,340. Total governmental activities expenses increased \$458,801 (6%) from the prior year. Key elements of these changes are as follows.

- Capital grants and contributions decreased \$125,863 primarily because during 2010 the TRE sidewalk project that began in 2009 and was funded with a capital grant was complete.
- Hotel occupancy taxes increased \$69,482 because two hotels opened in the City in March 2009 and were open for the entire 2010 fiscal year.
- Miscellaneous revenue decreased \$787,531 because during the prior year the City received a \$653,835 lease bonus, \$56,298 reimbursement for cost of Midway Road project, \$75,280 for surface damages.
- Police expenses increased \$164,114 primarily because 2 vacant positions were filled and the City added the new victim coordinator liaison position that is partially funded with a grant.
- Traffic safety expenses increased \$190,945 because the City added one new red light camera during the year and purchased equipment for patrol cars.
- Fire and ambulance expenses increased \$91,831 primarily because of wages, taxes and benefits. During the year two employees retired and were paid accumulated vacation and a new fire chief was hired.
- Code enforcement expenses increased \$109,041. Wages, taxes and benefits increased approximately 63,000 because three positions were filled in 2010 compared to one for most of 2009. During 2010 the City paid approximately \$50,000 for contracted plan review and inspections however the City performed these services in house in previous years.
- Streets and highways expenses decreased \$106,252 because there were less noncapital street projects during 2010.

Below are two graphs summarizing governmental activities revenue and expense:

Expenses and Program Revenues - Governmental Activities





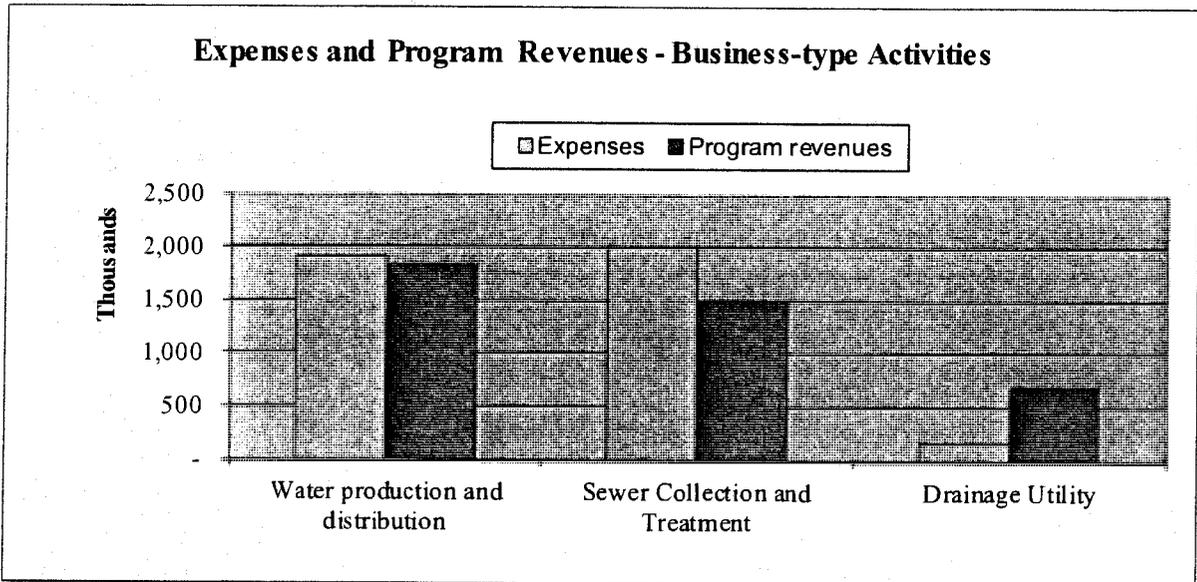
Business-type activities. Business-type activities decreased the City's net assets by \$34,064 in the current year compared to an increase in net assets of \$406,107 in the prior year. The business-type activities total revenues increased \$169,776 (4%) to \$4,008,325 and total expenses increased \$359,947 (10%) to \$4,058,587. Key elements of these changes are as follows.

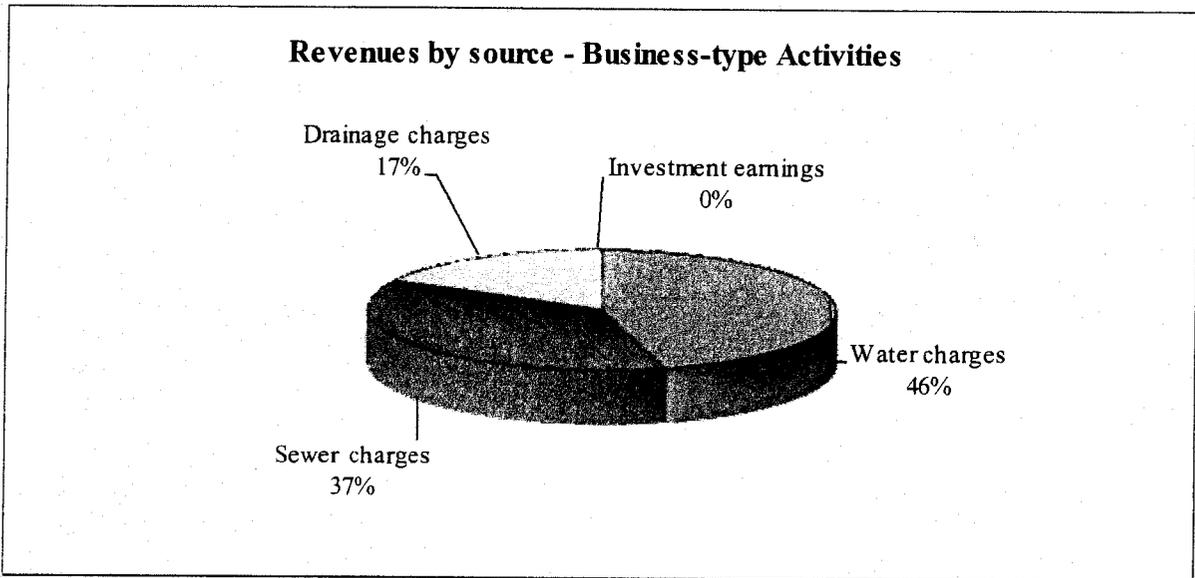
- Charges for services increased \$175,418 (5%). Sewer sales account for \$166,241 of this increase. Total sewer billings during 2010 were \$1,103,648. Sewer rates were increased about 14.5% effective October 1, 2009.
- The City contracts with the City of Fort Worth for wastewater treatment. During 2010 the charges from Fort Worth increased \$239,266 (60%) to \$636,353. These charges were \$272,505 more than budgeted. This increase is due to a 14.5% increase in rates and an increase in the volume of wastewater treated. A significant portion of this increase in the volume of wastewater is believed to be caused by infiltration and inflow in some portions of the wastewater and collection system.

The City of Richland Hills and City of Fort Worth agreed to a payment plan for the wastewater treatment services rendered in February 2010 through September 2010. See note 8 to the financial statements for additional details.

- During 2010 the City contracted for a water and wastewater rate study for \$65,010. The new rates were implemented in October 2010.

Below are two graphs summarizing business-type activities revenue and expense:





Financial Analysis of the Government's Funds

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

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

At year end, the City's governmental funds reported combined ending fund balances of \$3,983,133. \$2,672,823 (67%) constitutes unreserved fund balance, which is available for spending at the government's

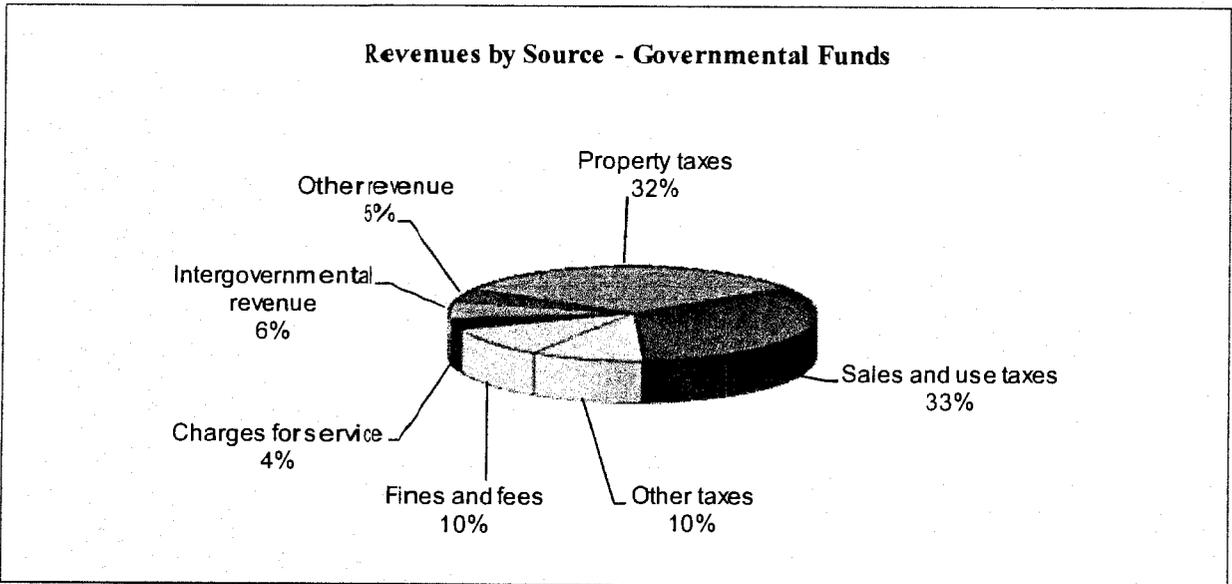
discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for special projects and debt service.

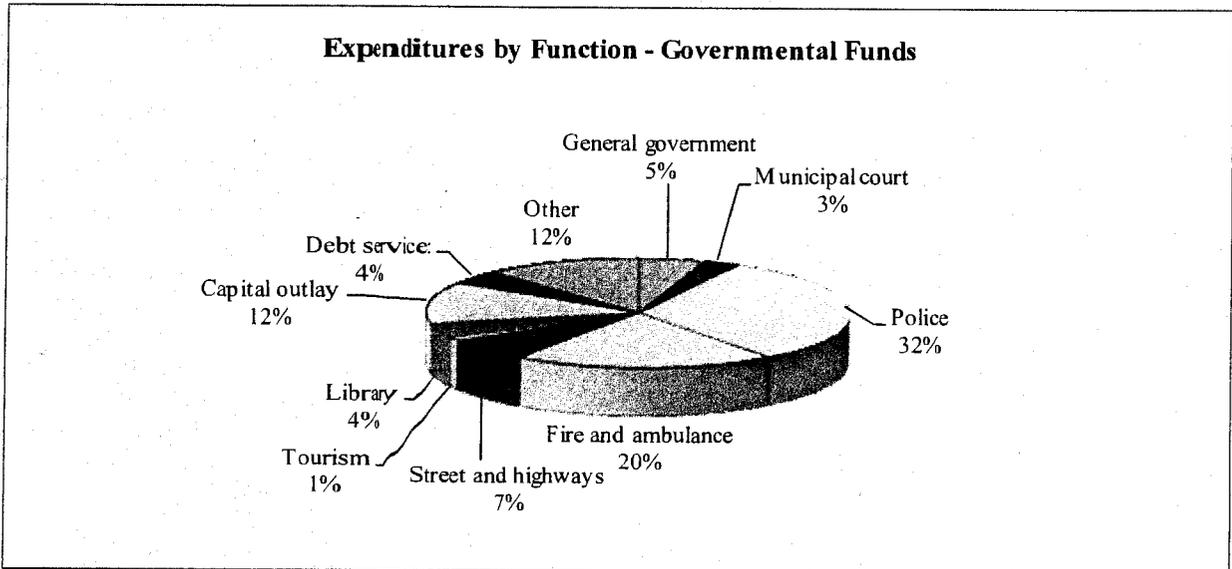
The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,115,619. Fund balance of the general fund decreased \$492,327 compared to a decrease of \$315,992 in the prior year. Key factors in this decrease are as follow:

- Revenues decreased \$214,703 (4%). General fund property taxes increased \$51,665 due to a \$2,341,459 increase in assessed property tax values and a tax rate increase of \$.014934 per \$100 assessed value, however, sales and franchise taxes decreased \$69,137. Fines and fees revenue decreased \$117,639 (26%) because tickets issued decreased 980 (30%) from the prior year. Intergovernmental revenue decreased \$86,716.
- Expenditures increased \$188,759 (4%). Police expenses increased \$201,521 primarily because 2 vacant positions were filled and the City added the new victim coordinator liaison position that is partially funded with a grant. Fire and ambulance expenses increased \$72,483 primarily because during the year two employees retired and were paid accumulated vacation and a new fire chief was hired. Code enforcement expenses increased \$97,620 because three positions were filled in 2010 compared to one for most of 2009 and during 2010 the City paid approximately \$50,000 for contracted plan review and inspections however the City performed these services in house in previous years. Streets and highways expenses decreased \$146,183 because there were less noncapital street projects during 2010.
- Transfers out decreased \$229,338 because in the prior year \$250,000 of the balance due from the water and sewer fund was reclassified to a permanent transfer.

In November 2005, voters elected to create a Crime Control and Prevention District for the primary purpose of funding pay raises to police department employees. The Crime Control and Prevention District is funded with a .375% sales tax. Sales tax revenue of the Crime Control and Prevention District was \$511,103 and funded police expenditures of \$513,109 during the current year. The Richland Hills Development Corporation is funded with a .125% sales tax. Sales tax revenue of the Richland Hills Development Corporation decreased \$3,069 to \$187,089.

Below are two graphs summarizing governmental fund revenue and expenditures.





Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to negative \$1,245,667 and those for the Drainage Utility Fund amounted to \$955,511. The total change in net assets for both funds was (\$523,807) and \$489,743, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City amended its budget two times. Differences between the original budget and the final budget were a \$196,850 increase in appropriations. The largest increase in the general fund budget was for streets and highways in the amount of \$154,644 which was primarily for the construction of sidewalks connecting to the TRE Station.

During the year, expenditures were less than budgetary estimates however the general government, legislative, fire and ambulance, code enforcement, Keep Richland Hills Beautiful, and community center actual expenditures exceeded budgeted amounts.

Police department actual expenditures were \$146,550 less than budgeted primarily because of vacant positions in the department.

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of September 30, 2010, amounts to \$21,411,158 (net of accumulated depreciation). This investment in capital assets includes land, buildings, water and sewer systems, improvements other than buildings, machinery and equipment, and streets.

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

Governmental Activities:

- SCBA Breathing Apparatus \$71,200.
- (1) 2010 Chevrolet Tahoe \$24,467.
- Fingerprint scanner \$23,935.
- Remodel of community development offices \$42,704.
- Asphalt overlay and curb and gutter replacement on Maple Park costing \$67,176 funded with CDBG grant.
- \$168,643 for the completion of the TRE sidewalk project for a total of \$464,146.
- \$685,803 construction in progress for various street projects funded with the road and street and oil and gas lease capital project funds.

Business-type activities:

- (1) 2010 Ford F250 \$23,141.
- \$49,000 for 7064 Dover Lane.
- Vertical turbine pump \$33,595
- \$236,789 for the South 40 tank rehabilitation project.
- \$258,724 to complete water system improvements for a total cost of \$756,170.
- \$123,604 for engineering related to drainage improvements.

**The City of Richland Hills's Capital Assets
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 325,343	\$ 325,343	\$ 256,267	\$ 207,267	\$ 581,610	\$ 532,610
Construction in progress	728,803	375,588	310,204	684,046	1,039,007	1,059,634
Land Improvements	207,521	203,721	157,589	162,695	365,110	366,416
Buildings	1,164,566	1,226,238	11,978	14,447	1,176,544	1,240,685
Water and sewer systems	-	-	10,854,884	10,168,677	10,854,884	10,168,677
Machinery and equipment	923,031	1,117,346	191,407	209,405	1,114,438	1,326,751
Roads	6,279,565	6,524,572	-	-	6,279,565	6,524,572
Total	\$ 9,628,829	\$ 9,772,808	\$ 11,782,329	\$ 11,446,537	\$ 21,411,158	\$ 21,219,345

Additional information on the City's capital assets can be found in note 1.6 and note 6 to the financial statements.

Long-Term Debt

City of Richland Hills's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Certificates of Obligation	\$ 680,000	\$ 770,000	\$ 6,710,000	\$ 4,245,000	\$ 7,390,000	\$ 5,015,000
Tax Notes	278,000	409,000	-	-	278,000	409,000
Contractual Obligation	455,000	485,000	-	-	455,000	485,000
Capital Leases Payable	-	-	300,521	343,336	300,521	343,336
Revenue bonds	-	-	1,435,000	1,525,000	1,435,000	1,525,000
Note payable - wastewater charges	-	-	375,152	-	375,152	-
Total	\$ 1,413,000	\$ 1,664,000	\$ 8,820,673	\$ 6,113,336	\$ 10,233,673	\$ 7,777,336

March 1, 2010 the City issued the \$2,750,000 Combination Tax and Water and Sewer Revenue Certificates of Obligation Series, 2010, for paying all or a portion of the City's contractual obligations incurred in connection with (i) acquiring, constructing, installing and equipping improvements to the City's stormwater and drainage utility systems, and the acquisition of land and interest in land necessary therefor and (ii) legal, fiscal, design and engineering fees in connection with such projects. It is the City's intent for the drainage utility fund to fund the debt service payments.

During 2010 the City agreed to a payment plan for \$601,683 of wastewater treatment services rendered February 2010 through September 2010. Subsequent to this agreement it was discovered that the City of Fort Worth's meter was incorrectly recording the wastewater flows. The City of Richland Hills received a credit of \$226,531 for services from September 2009 through September 2010. This credit has been reflected in these financial statements and was applied to the balance of the payment plan. See note 8 for additional details.

The City's outstanding debt continues to have favorable ratings. The ratings are as follows:

	Moody's Investor Service	Standard & Poor's
Combination Tax and Revenue Certificates of Obligation, Series 2001	A3	
Combination Tax and Water and Sewer Revenue Certificates of Obligations, Series 1998	A3	
Waterworks and Sewer System Revenue Bonds, Series 2002	A3	
Combination Tax and Water and Sewer Revenue Certificates of Obligation, Series 2007	A3	
Combination Tax and Water and Sewer Revenue Certificates of Obligation, Series 2010		AA-

No direct funded debt limitation is imposed on the City under current state law or the City's Home Rule Charter. However, bond covenant requirements of the revenue bonds require that the City maintain a coverage ratio of 1.25 times the annual debt service. The measure of adequacy of service ability of this debt is the revenue bond coverage factor (net revenues available for debt service divided by the current debt service requirements). For the current fiscal year, this ratio is measured at (.11), meaning sufficient net revenues were not available to comply with this bond covenant. Comparative data for the Water and Sewer Fund for the past three fiscal years is presented in the following schedule:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Gross Revenues	\$ 3,316,466	\$ 3,175,814	\$ 3,184,647
Direct Operating Expenses	\$ 3,158,012	\$ 2,865,188	\$ 2,833,896
Net Revenue Available for Debt	\$ 158,454	\$ 310,626	\$ 350,751
Debt Service	\$ 670,610	\$ 665,050	\$ 668,825
Debt Coverage Ratio (Revenue available for Debt Service divided by current year debt service)	0.24	0.47	0.52

More detailed information about the City's debt is presented in note 7 to the Financial Statements.

Economic factors and the Next Year's Budgets and Rates

The property tax rate for the City was increased \$.044970 to \$.518012 per \$100 taxable value for the 2011 fiscal year. The taxable assessed value for the 2011 fiscal year decreased approximately \$29 million to \$431,389,236. General fund property tax revenue is expected to remain approximately the same.

The most significant budgeted increase in general fund revenues is approximately \$105,000 in fines and fees. Total general fund revenues are budgeted to increase by approximately \$200,000 from 2010 actual revenues.

Total expenditures for the general fund are budgeted to decrease by approximately \$140,000 from 2010 actual expenditures. The largest decrease is approximately \$245,000 in the street and highways department due to the completion of the TRE sidewalk project.

During 2010 the City's water and sewer fund reported a \$282,545 operating loss primarily due to wastewater treatment charges that increased 60%. In addition the fund reported negative unrestricted net assets of \$1,245,667. To address the issues the City approved increasing water and wastewater rates effective October 1, 2010. Water and sewer billings from October 2010 through December 2010 have increased \$124,090 (34%) and \$199,779 (73%) respectively from the same period in 2009. In January 2011 the City Council approved a transfer of \$500,000 to the water and sewer fund from the oil and gas capital projects fund in order to reduce amount needed from rate increases. Operating expenses of the water and sewer fund are budgeted to decrease about \$490,000 from 2010 actual amounts. Approximately \$320,000 of the decrease is in the wastewater department and is primarily due to an anticipated decrease in the charges for wastewater treatment.

During the 2008 fiscal year the City completed a comprehensive drainage plan and fee schedule. The plan calls for \$8-\$10 million in drainage improvements over the next 5-10 years. In 2010 the City issued the \$2,750,000 Combination Tax and Water and Sewer Revenue Certificates of Obligation to begin the first phase of these drainage utility improvements.

Request for Information

The financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 3200 Diana Drive, Richland Hills, Texas 76118.

CITY OF RICHLAND HILLS, TEXAS
Statement of Net Assets
September 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 1,877,138	\$ 308,902	\$ 2,186,040
Investments	1,263,788	741,799	2,005,587
Receivables (Net of allowances for uncollectibles)			
Property taxes, delinquent	113,562	-	113,562
Sales and use taxes	423,045	-	423,045
Franchise taxes	251,206	-	251,206
Accounts	-	646,244	646,244
Fines and fees	98,251	-	98,251
Hotel occupancy tax	7,889	-	7,889
EMS charges	285,321	-	285,321
Intergovernmental	29,953	-	29,953
Miscellaneous	4,608	-	4,608
Internal balances	1,006,572	(1,006,572)	-
Supplies inventory - at cost	-	12,990	12,990
Restricted assets:			
Cash and cash equivalents	-	650,553	650,553
Investments	-	3,232,347	3,232,347
Deferred Charges	15,696	188,493	204,189
Capital assets (net of accumulated depreciation):			
Land	325,343	256,267	581,610
Construction in progress	728,803	310,204	1,039,007
Buildings	1,164,566	11,978	1,176,544
Improvements other than buildings	207,521	157,589	365,110
Water and sewer systems	-	10,854,884	10,854,884
Machinery and equipment	923,031	191,407	1,114,438
Streets	6,279,565	-	6,279,565
Total Assets	15,005,858	16,557,085	31,562,943
LIABILITIES:			
Accounts Payable	435,149	298,461	733,610
Unearned revenue	16,483	-	16,483
Current Liabilities Payable from Restricted Assets:			
Interest payable	7,839	94,117	101,956
Customer deposits	-	98,675	98,675
Noncurrent liabilities:			
Due Within One Year	486,531	849,017	1,335,548
Due in More Than One Year	1,314,509	8,099,950	9,414,459
Total Liabilities	2,260,511	9,440,220	11,700,731
NET ASSETS:			
Investments in Capital Assets, Net of Debt	8,215,829	6,194,852	14,410,681
Restricted for Debt Service (Expendable)	159,487	1,212,169	1,371,656
Restricted for Traffic Safety Programs (Expendable)	216,266	-	216,266
Unrestricted Net Assets	4,153,765	(290,156)	3,863,609
Total Net Assets	\$ 12,745,347	\$ 7,116,865	\$ 19,862,212

The notes to the financial statements are an integral part of this statement.

CITY OF RICHLAND HILLS, TEXAS
Statement of Activities
For the Fiscal Year Ended September 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 409,627	\$ 2,704	\$ -	\$ -
Legislative	76,361	-	-	-
Municipal court	217,429	50,294	-	-
Police	2,513,129	277,808	46,142	-
Traffic safety	386,093	326,165	-	-
Fire and ambulance	1,708,179	212,523	-	-
Code enforcement	270,688	111,859	-	-
Animal control	97,350	4,100	9,283	-
Keep Richland Hills Beautiful	20,309	-	15,940	-
Street and highways	1,339,330	945	132,669	202,814
Library	364,142	3,336	17,015	-
Community center	46,852	16,407	-	23,425
Parks and beautification	26,670	-	9,007	-
Economic development	59,261	-	-	-
Interest on long-term debt	74,760	-	-	-
Total governmental activities	7,610,180	1,006,141	230,056	226,239
Business-type activities:				
Water production and distribution	1,903,193	1,825,286	-	-
Sewer Collection and Treatment	2,001,652	1,488,646	-	-
Drainage Utility	153,742	691,018	-	-
Total business-type activities	4,058,587	4,004,950	-	-
Total primary government	\$ 11,668,767	\$ 5,011,091	\$ 230,056	\$ 226,239

General Revenues:

Taxes:

- Property Taxes, levied for general purposes
- Property Taxes, levied for debt service
- Sales Taxes
- Franchise Taxes
- Hotel Occupancy Taxes
- Investment Earnings
- Miscellaneous Revenues

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets October 1, 2009

Net Assets September 30, 2010

The notes to the financial statements are an integral part of this statement.

EXHIBIT B-1

Net (Expense) Revenue and Changes in Net Assets

			Primary Government		
	Governmental Activities	Business-type Activities			Total
\$	(406,923)		\$		(406,923)
	(76,361)				(76,361)
	(167,135)				(167,135)
	(2,189,179)				(2,189,179)
	(59,928)				(59,928)
	(1,495,656)				(1,495,656)
	(158,829)				(158,829)
	(83,967)				(83,967)
	(4,369)				(4,369)
	(1,002,902)				(1,002,902)
	(343,791)				(343,791)
	(7,020)				(7,020)
	(17,663)				(17,663)
	(59,261)				(59,261)
	(74,760)				(74,760)
	<u>(6,147,744)</u>	<u>-</u>			<u>(6,147,744)</u>
		(77,907)			(77,907)
		(513,006)			(513,006)
		537,276			537,276
	<u>-</u>	<u>(53,637)</u>			<u>(53,637)</u>
\$	<u>(6,147,744)</u>	<u>(53,637)</u>	\$		<u>(6,201,381)</u>
\$	1,905,878	\$ -	\$		1,905,878
	213,685	-			213,685
	2,210,327	-			2,210,327
	480,222	-			480,222
	121,561				121,561
	3,925	3,375			7,300
	151,306				151,306
	(16,198)	16,198			-
	<u>5,070,706</u>	<u>19,573</u>			<u>5,090,279</u>
	(1,077,038)	(34,064)			(1,111,102)
	<u>13,822,385</u>	<u>7,150,929</u>			<u>20,973,314</u>
\$	<u>12,745,347</u>	<u>7,116,865</u>	\$		<u>19,862,212</u>

CITY OF RICHLAND HILLS, TEXAS

EXHIBIT C-1

Balance Sheet
Governmental Funds
September 30, 2010

ASSETS:	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 886,741	\$ 990,397	\$ 1,877,138
Investments	563,966	699,822	1,263,788
Receivables (Net of allowances for uncollectibles)			
Property taxes, delinquent	88,915	24,646	113,562
Sales and use taxes	284,564	138,482	423,045
Franchise taxes	251,206	-	251,206
Fines	78,142	20,109	98,251
Hotel occupancy tax	-	7,889	7,889
EMS Charges	285,321		285,321
Intergovernmental	6,528	23,425	29,953
Miscellaneous		4,608	4,608
Due from other funds	<u>1,042,163</u>	<u>274,461</u>	<u>1,316,624</u>
Total assets	<u>\$ 3,487,546</u>	<u>\$ 2,183,839</u>	<u>\$ 5,671,385</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 277,077	\$ 158,072	\$ 435,149
Due to other funds	292,486	17,566	310,052
Deferred and unearned revenue	<u>843,161</u>	<u>99,890</u>	<u>943,051</u>
Total liabilities	<u>1,412,724</u>	<u>275,528</u>	<u>1,688,252</u>
Fund Balances:			
Reserved for police station improvement	5,587	-	5,587
Reserved for parks and beautification	22,335	-	22,335
Reserved for library	10,938	-	10,938
Reserved for animal services	44,081	-	44,081
Reserved for debt service	-	134,841	134,841
Reserved for traffic safety programs	-	216,266	216,266
Reserved for long-term due from other funds	876,262		876,262
Unreserved, reported in:			
General Fund	1,115,619	-	1,115,619
Special Revenue Fund			
Designated for capital improvements	-	529,545	529,545
Unreserved, undesignated	-	475,250	475,250
Capital Projects Funds			
Designated for capital improvements	-	552,409	552,409
Total fund balances	<u>2,074,822</u>	<u>1,908,311</u>	<u>3,983,133</u>
Total liabilities and fund balances	<u>\$ 3,487,546</u>	<u>\$ 2,183,839</u>	<u>\$ 5,671,385</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RICHLAND HILLS, TEXAS
 Reconciliation of the Governmental Funds Balance Sheet
 To the Statement of Net Assets
 September 30, 2010

Total Fund Balances - Governmental Funds	3,983,133
Capital assets used in governmental activities are not financial resources and therefore are reported in the governmental funds. The cost of these assets was \$27,656,584 and the accumulated depreciation was \$18,027,755.	9,628,829
Capitalized bond issuance costs related to governmental activity debt are not financial resources and therefore are not reported in the governmental funds.	15,696
Long-term liabilities, including \$1,413,000 bonds payable, \$167,509 in net pension obligation payable, and \$220,531 compensated absences payable are not due and payable in the current period, and, therefore are not reported as liabilities in the fund financial statements.	(1,801,040)
Interest payable is not expected to be liquidated with available financial resources and is not reported as a liability in the fund financial statements.	(7,839)
Property taxes receivable are not available soon enough to pay for the current period's expenditures and therefore are deferred revenue in the fund financial statements.	926,568
Franchise taxes receivable, sales tax receivable, fines and fees and EMS charges receivable are not available soon enough to pay for the current period's expenditures and therefore are not reported in the fund financial statements. The effect of recognizing \$224,808 franchise taxes receivable, \$224,736 sales tax receivable, \$78,142 fines and fees and \$285,321 EMS charges receivable is an increase to net assets.	0
Net Assets of Governmental Activities	<u><u>12,745,347</u></u>

CITY OF RICHLAND HILLS, TEXAS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2010

EXHIBIT C-3

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes:			
General property	\$ 1,903,300	\$ 198,599	2,101,899
Sales and use	1,498,427	698,192	2,196,619
Franchise	515,811	-	515,811
Hotel occupancy tax	-	121,561	121,561
Fines and fees	328,509	326,164	654,673
Licenses and permits	111,859	-	111,859
Charges for service	240,425	-	240,425
Intergovernmental revenue	226,609	156,094	382,703
Park and recreation	9,007	-	9,007
Interest income	1,233	2,692	3,925
Other revenue	90,576	94,736	185,312
Total revenues	4,925,756	1,598,038	6,523,794
Expenditures:			
Current			
General government	321,312	57,499	378,811
Legislative	54,868	-	54,868
Municipal court	207,982	-	207,982
Police	1,881,841	513,109	2,394,950
Traffic safety	-	386,093	386,093
Tourism	-	83,427	83,427
Fire and ambulance	1,504,232	-	1,504,232
Code enforcement	263,683	-	263,683
Animal control	88,408	-	88,408
Keep Richland Hills Beautiful	20,309	-	20,309
Street and highways	510,250	-	510,250
Library	329,463	-	329,463
Community center	36,935	-	36,935
Parks and beautification	4,256	-	4,256
Economic development	56,720	-	56,720
Capital outlay	15,240	898,558	913,798
Debt service:			
Principal	-	251,000	251,000
Interest and fiscal charges	-	71,249	71,249
Total expenditures	5,295,499	2,260,935	7,556,434
Excess (deficiency) of revenue over (under) expenditures	\$ (369,743)	\$ (662,897)	(1,032,640)
Other financing sources (uses):			
Proceeds from sale of general capital assets	20,728	-	20,728
Transfers in	28,661	291,452	320,113
Transfers out	(171,973)	(164,338)	(336,311)
Total other financing sources (uses)	(122,584)	127,114	4,530
Net change in fund balances	(492,327)	(535,783)	(1,028,110)
Fund balance, October 1, 2009	2,567,149	2,444,094	5,011,243
Fund balance, September 30, 2010	\$ 2,074,822	\$ 1,908,311	3,983,133

The notes to the financial statements are an integral part of this statement.

CITY OF RICHLAND HILLS, TEXAS
 Reconciliation of Statement of Revenues,
 Expenditures and Changes in Fund Balances of
 The Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended September 30, 2010

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	(1,028,110)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including \$1,138,798 of capital outlays and \$251,000 of debt principal payments is to increase net assets.	1,389,798
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	(1,282,777)
Current year interest payable, net pension obligation, and compensated absences of the governmental funds are not due and payable in the current period and deferred charges are not financial resources of the current period, and, therefore are not reported as liabilities or assets in the funds. The \$844 decrease in interest payable, \$99,859 increase in net pension obligation, \$11,947 increase in compensated absences and \$4,355 decrease in deferred charges decreases net assets.	(115,317)
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(40,632)
Change in Net Assets of Governmental Activities	<u><u>(1,077,038)</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF RICHLAND HILLS, TEXAS
Statement of Net Assets
Proprietary Funds
September 30, 2010

	Water and Sewer Fund	Drainage Utility Fund	Totals
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ -	\$ 308,902	\$ 308,902
Investments	241,777	500,022	741,799
Receivables (Net of allowance for uncollectibles):			
Accounts	646,244	-	646,244
Due from other funds	-	179,290	179,290
Supplies inventory	12,990	-	12,990
Restricted Assets:			
Cash and cash equivalents	338,308	312,245	650,553
Investments	834,269	2,398,078	3,232,347
	<u>2,073,588</u>	<u>3,698,537</u>	<u>5,772,125</u>
Noncurrent Assets:			
Deferred Charges	<u>140,437</u>	<u>48,056</u>	<u>188,493</u>
Capital assets, at cost:			
Land	207,267	49,000	256,267
Construction in progress	-	310,204	310,204
Buildings	193,430	-	193,430
Improvements other than buildings	27,692	160,088	187,780
Waterworks and sewer system	16,248,492	-	16,248,492
Equipment	995,386	106,861	1,102,247
	<u>17,672,267</u>	<u>626,153</u>	<u>18,298,420</u>
Less: accumulated depreciation	<u>(6,447,910)</u>	<u>(68,181)</u>	<u>(6,516,091)</u>
	<u>11,224,357</u>	<u>557,972</u>	<u>11,782,329</u>
	<u>11,364,794</u>	<u>606,028</u>	<u>11,970,822</u>
Total assets	<u>\$ 13,438,382</u>	<u>\$ 4,304,565</u>	<u>\$ 17,742,947</u>

The notes to the financial statements are an integral part of this statement.

	<u>Water and Sewer Fund</u>	<u>Drainage Utility Fund</u>	<u>Totals</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 267,093	\$ 31,368	\$ 298,461
Note payable - wastewater charges	322,451		322,451
Compensated absences payable	36,825	-	36,825
Due to other funds	231,509	41,961	273,470
Current Liabilities Payable from Restricted Assets:			
Current portion of long-term debt	439,741	50,000	489,741
Interest payable	37,878	56,239	94,117
Due to other funds	36,130	-	36,130
Customer deposits payable	98,675	-	98,675
	<u>1,470,302</u>	<u>179,568</u>	<u>1,649,870</u>
Total current liabilities			
Noncurrent Liabilities:			
Due to other funds	876,262	-	876,262
Note payable - wastewater charges	52,701	-	52,701
Compensated absences payable	47,805	-	47,805
Net pension obligation	40,594	3,070	43,664
Capital leases payable	255,780	-	255,780
Revenue bonds payable	5,000,000	2,700,000	7,700,000
	<u>6,273,142</u>	<u>2,703,070</u>	<u>8,976,212</u>
Total noncurrent liabilities			
	<u>7,743,444</u>	<u>2,882,638</u>	<u>10,626,082</u>
Total liabilities			
NET ASSETS:			
Investment in capital assets, net of debt	5,728,436	466,416	6,194,852
Restricted for debt service (Expendable)	1,212,169	-	1,212,169
Unrestricted	(1,245,667)	955,511	(290,156)
Total net assets	<u>\$ 5,694,938</u>	<u>\$ 1,421,927</u>	<u>\$ 7,116,865</u>

CITY OF RICHLAND HILLS, TEXAS
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended September 30, 2010

EXHIBIT D-2

	Water and Sewer Fund	Drainage Utility Fund	Totals
Operating revenues:			
Charges for sales and services:			
Water sales	\$ 1,686,199	\$ -	\$ 1,686,199
Sewer charges	1,103,648	-	1,103,648
Late payment fee	88,697	-	88,697
Waste disposal fee	71,391	-	71,391
Billing charges	335,278	691,018	1,026,296
Miscellaneous fees and charges	28,719	-	28,719
	<u>3,313,932</u>	<u>691,018</u>	<u>4,004,950</u>
Total operating revenue			
Operating expenses:			
Administration	891,305	-	891,305
Operations	2,266,707	136,617	2,403,324
Depreciation	438,465	17,125	455,590
	<u>3,596,477</u>	<u>153,742</u>	<u>3,750,219</u>
Total operating expenses			
Operating income (loss)	<u>(282,545)</u>	<u>537,276</u>	<u>254,731</u>
Nonoperating revenues (expenses):			
Interest revenue	2,534	841	3,375
Bond interest expense	(247,350)	(46,430)	(293,780)
Amortization of bond issuance costs	(12,644)	(1,944)	(14,588)
	<u>(257,460)</u>	<u>(47,533)</u>	<u>(304,993)</u>
Total nonoperating revenues (expenses)			
Transfers in	16,198	-	16,198
	<u>(523,807)</u>	<u>489,743</u>	<u>(34,064)</u>
Change in Net Assets			
Net Assets, October 1, 2009	6,218,745	932,184	7,150,929
Net Assets, September 30, 2010	<u>\$ 5,694,938</u>	<u>\$ 1,421,927</u>	<u>\$ 7,116,865</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RICHLAND HILLS, TEXAS
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2010

EXHIBIT D-3

	<u>Water and Sewer Fund</u>	<u>Drainage Utility Fund</u>	<u>Totals</u>
Cash flows from operating activities:			
Cash received from customers	\$ 3,219,518	\$ 720,032	\$ 3,939,550
Cash paid to suppliers	(1,691,666)	(32,649)	(1,724,315)
Cash paid to employees	(794,192)	(77,309)	(871,501)
Net cash provided by operating activities	<u>733,660</u>	<u>610,074</u>	<u>1,343,734</u>
Cash flow from noncapital financing activities:			
Transfers in	16,198	-	16,198
Net cash provided (used) by noncapital financing activities	<u>16,198</u>	<u>-</u>	<u>16,198</u>
Cash flow from capital and related financing activities:			
Proceeds from bond issuance	-	2,700,000	2,700,000
Principal payments on long-term debt	(417,815)	-	(417,815)
Increase (decrease) in due to other funds	(280,811)	-	(280,811)
Miscellaneous Receivable	-	-	-
Capital expenditures	(585,183)	(206,199)	(791,382)
Interest paid on bonds	(253,913)	9,809	(244,104)
Net cash (used) by capital and related financing activities	<u>(1,537,722)</u>	<u>2,503,610</u>	<u>965,888</u>
Cash flow from investing activities:			
Interest received	2,534	841	3,375
Net cash provided by investing activities	<u>2,534</u>	<u>841</u>	<u>3,375</u>
Net increase (decrease) in cash and cash equivalents	(785,330)	3,114,525	2,329,195
Cash and cash equivalents, October 1, 2009	<u>2,199,684</u>	<u>404,722</u>	<u>2,604,406</u>
Cash and cash equivalents, September 30, 2010	<u>\$ 1,414,354</u>	<u>\$ 3,519,247</u>	<u>\$ 4,933,601</u>
 Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ (282,545)	\$ 537,276	\$ 254,731
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	438,465	17,125	455,590
(Increase) decrease in accounts receivable	(97,818)	-	(97,818)
(Increase) decrease in due from other funds	-	(9,044)	(9,044)
Increase (decrease) in accounts payable and accrued liabilities	33,167	26,659	59,826
Increase (decrease) in due to other funds	263,835	38,058	301,893
Increase (decrease) in note payable - wastewater charges	375,152	-	375,152
Increase (decrease) in customer meter deposits	3,404	-	3,404
Total adjustments	<u>1,016,205</u>	<u>72,798</u>	<u>1,089,003</u>
Net cash provided by operating activities	<u>\$ 733,660</u>	<u>\$ 610,074</u>	<u>\$ 1,343,734</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RICHLAND HILLS, TEXAS
Notes to Financial Statements
September 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Richland Hills is a municipal corporation governed by an elected mayor and five-member council. The financial statements of the City of Richland Hills, Texas ("City") include all governmental activities, organizations, and functions for which the City exercises significant oversight responsibility. The criteria considered in determining governmental activities to be reported within the City's financial statements included: the City's accountability for the entity's fiscal matters; the scope of public service of the entity; and the nature of any special financing relationships which may exist between the City and a given governmental entity. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The City has two blended component units, which have September 30 year-ends.

Blended Component Units.

The Richland Hills Development Corporation (a nonprofit development corporation formed under the Development corporation act of 1979, Texas Rev Civil Statute) was incorporated June 28, 1996. The corporation serves all citizens of the city and is governed by a board of seven directors appointed by the City Council. Four of the directors are council member directors and three are citizen member directors. The purpose of the Corporation is to promote infrastructure improvements, parks and park facilities and economic development within the City and the State of Texas in order to eliminate unemployment and underemployment and to promote and encourage employment and the public welfare of, for and on behalf of the City by developing, implementing, providing, and financing projects. Operation of the Corporation is funded by .125 percent sales tax approved by the voters. The corporation is reported as a Special Revenue Fund.

November 8, 2005, citizens of the City of Richland Hills voted to create the Richland Hills Crime Control and Prevention District (the "District") dedicated to crime reduction programs. The City Council serves as the board of directors for the District. Operation of the District is funded by .325 percent sales tax approved by the voters. The District is reported as a Special Revenue Fund because the District's governing body is the same as that of the City.

B. Government-wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual funds and individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF RICHLAND HILLS, TEXAS
Notes to Financial Statements
September 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 30 days after year-end. Expenditures generally are recorded when the related fund liability is incurred, however, debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized when payment is due.

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

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The City reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The *water and sewer fund* is used to account for the operation of the water and sewage systems for the City.

The *drainage utility fund* is used to account for the construction and maintenance of the drainage system for the city.

Additionally, the government reports the following fund and fund types:

The *special revenue funds* are governmental funds that account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specific purposes.

The *debt service fund* accounts for the servicing of general long-term debt not being financed by proprietary or nonexpendable trust funds.

The *capital projects funds* account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

CITY OF RICHLAND HILLS, TEXAS
Notes to Financial Statements
September 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled, Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the City has elected not to apply Financial Accounting Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued after November 30, 1989.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges and transfers between the governmental activities and the business-type activities, which cannot be eliminated.

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

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. The principal operating revenues of the water and sewer fund and drainage utility fund are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. *Assets, Liabilities and Net Assets or Equity*

1. *Deposits and Investments*

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments that are highly liquid with maturity within three months or less when purchased. Assets reported as cash and cash equivalents and investments are considered cash and cash equivalents for the statement of cash flows.

2. *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 "due to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

CITY OF RICHLAND HILLS, TEXAS
Notes to Financial Statements
September 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectible accounts of \$393,908 in the water and sewer fund. The property tax receivable allowance of \$38,106 and \$10,563 for the general fund and debt service fund respectively, and is equal to 30% of outstanding delinquent property taxes at September 30. The fines and fees receivable in the general fund is reported net of an allowance of \$33,490 which is 30% of the adjusted receivable. The EMS charges receivable in the general fund is reported net of an allowance of \$1,989,668 which is 88% of the outstanding receivable. These allowances are based upon historical experience.

3. *Property Tax*

Ad valorem property taxes are levied each October 1 from valuations assessed as of the prior January 1 and are recognized as revenue beginning on the date of levy, October 1, when they become available. "Available" means collected within the current period or expected to be collected soon thereafter to be used to pay current liabilities. Taxes not expected to be collected within sixty days of the fiscal year ending are recorded as deferred revenue and are recognized when they become available. Taxes collected prior to the levy date to which they apply are recorded as deferred revenue and recognized as revenue of the period to which they apply. Taxes are due on October 1 immediately following the levy date and are delinquent after the following January 31. Tax liens are automatic on January 1 each year.

4. *Inventory*

The inventory of supplies held by the Enterprise Funds is valued at cost using the first-in-first-out ("FIFO") method.

5. *Capital Assets*

Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the applicable governmental activities or business-type activities columns in the government-wide financial statements and in the proprietary funds financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation.

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.

Major outlays allowance for capital assets and improvements are capitalized in the proprietary funds as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities and proprietary funds is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the water and sewer fund and drainage utility fund during the current fiscal year was \$293,780. Of this amount \$0 was included as part of the cost of capital assets under construction in connection with water and sewer construction projects.

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

CITY OF RICHLAND HILLS, TEXAS
Notes to Financial Statements
September 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Building and improvements	20 - 40 years
Office equipment	5 - 20 years
Autos and trucks	4 - 5 years
Equipment	3 - 20 years
Waterworks and sewer system	5 - 40 years
Infrastructure	20 - 40 years

The City has reported infrastructure capital assets acquired prior to the implementation of GASB Statement No. 34 at estimated historical cost.

6. *Compensated Absences*

It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory time, and sick pay benefits. Sick pay benefits are not paid upon separation therefore no liability is reported for unpaid accumulated sick leave. Vacation and compensatory time is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. *Long-term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuances cost, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. *Fund Equity*

In the fund financial statements, governmental funds report reservation of fund balance for amounts that are not available for appropriation or are legally restricted by an outside party for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. *Use of Estimates*

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires the use of management's estimates.

10. *Comparative Data*

Comparative total data for the prior year has been presented only for individual funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

CITY OF RICHLAND HILLS, TEXAS
Notes to Financial Statements
September 30, 2010

NOTE 2: DEPOSITS AND INVESTMENTS

The State Public Funds Investment Act authorize the government to invest in obligations of the U.S. Treasury, obligations of states, agencies, counties, cities and other political subdivisions, secured certificates of deposit, repurchase agreements, bankers' acceptance, commercial paper, mutual funds, guaranteed investment contracts and investment pools. Investments are stated at fair value except for short-term highly liquid investments which are stated at cost or amortized cost. During the year ended September 30, 2010, the City did not own any types of securities other than those permitted by statute.

The City invests idle funds in the Texas Local Government Investment Pool (TexPool). The City's investment pool operates in a manner consistent with the SEC's Rule 2A7 of the Investment Act of 1940. The Pool uses amortized cost rather than fair value to report net assets to compute share prices. Accordingly, the fair value of the City's position is the same as the value of the City's shares.

The State Comptroller of Public Accounts exercises oversight responsibilities over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. As a requirement to maintain its rating, weekly portfolio information must be submitted to Standards and Poors, as well as the office of the Comptroller of Public Accounts for Review.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's funds are required to be deposited and invested under the terms of a depository contract. The City's deposits are required to be collateralized with securities held by the pledging institution's trust department or agent in the City's name. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") Insurance. At September 30, 2010, the City's deposits were covered by FDIC Insurance or collateralized with securities held by the bank's agent in the City's name.

Credit Risk– Investments

The City controls credit risk by limiting its investments to those instruments allowed by the State Public Funds Investment Act described above.

Interest Rate Risk – Investments

The City manages interest rate risk by structuring its portfolio so that it will experience minimal volatility during economic cycles. This is accomplished by purchasing high quality, short to medium term securities which will complement each other. The dollar weighted average maturity of 365 days or less will be calculated using the stated final maturity date of each security.

CITY OF RICHLAND HILLS, TEXAS
Notes to Financial Statements
September 30, 2010

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

The City's investments at September 30, 2010 included the following:

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Percentage of Total Investments</u>	<u>Cost</u>	<u>Fair Value</u>
U.S. Treasury Bills	N/A	4 months average	99.93%	\$ 4,897,442	\$ 4,899,063
Investment in Tex-Pool	AAAm	68 days	0.07%	3,610	3,610
				<u>\$ 4,901,052</u>	<u>\$ 4,902,673</u>
<u>Reconciliation to financial statements</u>					
Investments from Exhibit A-1				\$ 5,237,934	
Less: Certificates of Deposit				(336,882)	
				<u>\$ 4,901,052</u>	

NOTE 3: RESTRICTED ASSETS

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond ordinances and other legal restrictions. Enterprise Funds restricted assets are held for the following purposes in accordance with bond ordinances or other legal restrictions:

Current		
2002 Revenue Bonds I&S		
Cash		\$ 10,988
2002 Revenue Bonds Reserve		
Cash		36,770
U.S. Treasury Bills		299,924
EPA Waste Water		
Cash		95,625
U.S. Treasury Bills		399,899
2007 Revenue Bonds Construction		
Cash		128,716
U.S. Treasury Bills		99,975
2007 Revenue Bonds I&S		
Cash		2,005
2010 Revenue Bonds Construction		
Cash		302,310
U.S. Treasury Bills		2,398,078
2010 Revenue Bonds I&S		
Cash		9,935
Cash - Customer Deposits		98,675
Total Current		<u>\$ 3,882,900</u>

CITY OF RICHLAND HILLS, TEXAS
Notes to Financial Statements
September 30, 2010

NOTE 4: DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, the various components of deferred revenue were as follows:

	General	Nonmajor	Total Governmental Funds
Deferred property taxes receivable	\$ 88,915	\$ 24,646	\$ 113,561
Deferred sales tax receivable	149,565	75,244	224,809
Deferred franchise tax receivable	224,736		224,736
Deferred fines and fees receivable	285,321		285,321
Deferred EMS charges receivable	78,142		78,142
Other unearned revenue	16,482		16,482
Total deferred revenue for governmental funds	<u>\$ 843,161</u>	<u>\$ 99,890</u>	<u>\$ 943,051</u>

NOTE 5: INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS

The composition of interfund balances for the City's individual major funds and nonmajor funds as of September 30, 2010, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other Governmental Funds	\$ 95,657
	Water and Sewer	946,506
Other Governmental Funds	General	274,461
Total Governmental Funds		<u>\$ 1,316,624</u>
Drainage Utility	General	\$ 18,025
	Water and Sewer	161,265
Total Enterprise Funds		<u>\$ 179,290</u>

The General fund paid expenditures for the other governmental funds and the Water and Sewer fund but was not reimbursed before year end. The revenue of other governmental funds was deposited into the general fund but not transferred to the appropriate other governmental funds before year end. The water and sewer fund collected customer billing on behalf of the Drainage Utility Fund but did not transfer it before year end.

\$876,262 of the interfund balance between the General fund and the Water and Sewer fund is not expected to be repaid within the next year. The General fund has reported a reserve of fund balance and the payable has been reported as a noncurrent liability in the Proprietary Funds Statement of Net Assets.

CITY OF RICHLAND HILLS, TEXAS
Notes to Financial Statements
September 30, 2010

NOTE 5: INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS (Continued)

The composition of interfund transfers for the City's individual major funds and nonmajor funds at September 30, 2010, is as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	<u>Purpose</u>
Other Governmental Funds	General	155,775	Capital Outlay
Other Governmental Funds	Other Governmental Funds	135,677	Debt Service
General	Other Governmental Funds	28,661	
Total Governmental Funds Transfers In		<u>\$ 320,113</u>	
Water and Sewer	General	<u>\$ 16,198</u>	

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2010 was as follows:

Governmental activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Non - Depreciable Assets:				
Land	\$ 325,343	\$ -	\$ -	\$ 325,343
Construction in Progress	375,588	938,122	(584,907)	728,803
Total non-depreciable assets	<u>700,931</u>	<u>938,122</u>	<u>(584,907)</u>	<u>1,054,146</u>
Depreciable Assets:				
Improvements other than buildings	968,780	52,019	-	1,020,799
Buildings	2,205,361	-	-	2,205,361
Machinery and equipment	4,431,090	148,657	(6,151)	4,573,596
Streets	18,217,775	-	584,907	18,802,682
Total capital assets being depreciated	<u>25,823,006</u>	<u>200,676</u>	<u>578,756</u>	<u>26,602,438</u>
Accumulated Depreciation:				
Improvements other than buildings	(765,059)	(48,219)	-	(813,278)
Buildings	(979,123)	(61,672)	-	(1,040,795)
Machinery and equipment	(3,313,744)	(342,972)	6,151	(3,650,565)
Streets	(11,693,203)	(829,914)	-	(12,523,117)
Total accumulated depreciation	<u>(16,751,129)</u>	<u>(1,282,777)</u>	<u>6,151</u>	<u>(18,027,755)</u>
Governmental activities capital assets, net	<u>\$ 9,772,808</u>	<u>\$ (143,979)</u>	<u>\$ -</u>	<u>\$ 9,628,829</u>

CITY OF RICHLAND HILLS, TEXAS
Notes to Financial Statements
September 30, 2010

NOTE 6: CAPITAL ASSETS - (Continued)

Business-type activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Non - Depreciable Assets:				
Land	\$ 207,267	\$ 49,000	\$ -	\$ 256,267
Construction in Progress	684,047	717,851	(1,091,694)	310,204
Total non-depreciable assets	<u>891,314</u>	<u>766,851</u>	<u>(1,091,694)</u>	<u>566,471</u>
Depreciable Assets:				
Improvements other than buildings	187,780	-	-	187,780
Buildings	193,430	-	-	193,430
Water and sewer systems	15,189,003	1,390	1,058,099	16,248,492
Machinery and equipment	1,040,160	23,141	38,946	1,102,247
Total capital assets being depreciated	<u>16,610,373</u>	<u>24,531</u>	<u>1,097,045</u>	<u>17,731,949</u>
Accumulated Depreciation:				
Improvements other than buildings	(25,084)	(5,107)	-	(30,191)
Buildings	(178,983)	(2,469)	-	(181,452)
Water and sewer systems	(5,020,326)	(373,282)	-	(5,393,608)
Machinery and equipment	(830,757)	(74,732)	(5,351)	(910,840)
Total accumulated depreciation	<u>(6,055,150)</u>	<u>(455,590)</u>	<u>(5,351)</u>	<u>(6,516,091)</u>
Business-type activities capital assets, net	<u>\$ 11,446,537</u>	<u>\$ 335,792</u>	<u>\$ -</u>	<u>\$ 11,782,329</u>

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

Governmental activities:	
General government	\$ 24,349
Legislative	20,681
Municipal court	7,590
Police	143,474
Fire and ambulance	166,256
Animal control	12,910
Streets and highways	850,802
Library	25,886
Community center	8,415
Parks and beautification	22,414
Total depreciation expense - governmental activities	<u>\$ 1,282,777</u>
Business-type activities:	
Water production and distribution	\$ 276,911
Sewer Collection and Treatment	161,554
Drainage Utility	17,125
Total depreciation expense - business-type activities	<u>\$ 455,590</u>

CITY OF RICHLAND HILLS, TEXAS
Notes to Financial Statements
September 30, 2010

NOTE 7: LONG-TERM LIABILITIES

Long-term debt consisted of the following at September 30, 2010.

Governmental Activities

Combination Tax and Revenue Certificates of Obligation, Series 2001

A series of certificates of obligation totaling \$1,325,000 were issued on May 15, 2001 for the construction of street improvements and to pay the costs of issuing the certificates. The City reserves the right to redeem the certificate's maturing on and after August 15, 2011 in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2009, or any date thereafter, at a redemption price of par plus accrued interest. Interest rates range from 4.25% to 5.6%. Total maturity of this series is on August 15, 2016. The obligations, and interest, are direct and general obligations of the City and are payable from collection of ad valorem taxes and limited surplus net revenues derived from operation of the water and sewer system, if any. The balance of this obligation at September 30, 2010 is \$680,000.

City of Richland Hills, Texas Tax Note Series 2005

A tax note dated February 1, 2005, totaling \$400,000 was purchased by Zions First National Bank on February 23, 2005. The tax note was issued for the purpose of acquiring and purchasing personal property for the City and for paying the costs related to the issuance of the tax note. The interest rate is 3.78% and the obligations mature through February 15, 2012. On August 15, 2008, or on any date thereafter, any outstanding principal installment may be redeemed in whole, prior to its scheduled payment date, at the option of the City, at the price of par plus accrued interest, upon the giving of 45 days written notice to Zions First National Bank. Principal and interest are payable from ad valorem taxes. The balance of this obligation at September 30, 2010 is \$127,000.

City of Richland Hills, Texas Tax Note Series 2006

A tax note dated February 1, 2006, totaling \$415,000 was purchases by Bank of America, N.A. on February 15, 2006. The tax note was issued to purchase computer equipment and software for the police and finance departments of the City, police and fire department equipment, imaging equipment for the City Secretary's office, vehicles for the police, fire and community development departments of the City, a backhoe for the public works department of the City, library equipment and the legal and fiscal fees in connection with such projects. The interest rate is 3.50% and the obligations mature through August 15, 2012. Principal installments of this note are not subject to redemption in whole or in part prior to their scheduled payment dates. Principal and interest are payable from ad valorem taxes. The balance of this obligation at September 30, 2010 is \$151,000.

City of Richland Hills, Public Property Finance Contractual Obligation Series 2007

A series of contractual obligations totaling \$535,000 dated February 1, 2007 were issued for the purpose of paying all or a portion of the Issuer's contractual obligations to be incurred in connection with the acquisition or purchase of personal property, in accordance with the provisions of the Public Property Finance Act, and to pay the costs incurred in connection with the issuance of the contractual obligation. The interest rate is 3.825% and the obligation matures through August 15, 2022. Principal and interest are payable from ad valorem taxes. The balance of this obligation at September 30, 2010 is \$455,000.

CITY OF RICHLAND HILLS, TEXAS
Notes to Financial Statements
September 30, 2010

NOTE 7: LONG-TERM LIABILITIES (Continued)

Business-type Activities

1998 Combination Tax and Water and Sewer Revenue Certificates of Obligation

The U.S. Environmental Protection Agency issued an Administrative Order to the City, mandating millions of dollars of improvements to the wastewater system within the City. The City obtained from the Texas Water Development Board a loan in the amount of \$4 million and in turn the City approved the issuance of Certificates of Obligation in the amount of \$4 million to be used to secure the loan. A monthly charge in the amount of \$8.17 per wastewater service customer is used to repay this Certificate of Obligation. Interest rates range from 2.65% to 3.90% and the obligation's last payment date is August 15, 2018. The balance of this certificate of obligation is \$2,080,000 at September 30, 2010.

Waterworks and Sewer System Revenue Bonds, Series 2002

A series of 400 bonds at \$5,000 each dated March 15, 2002, were issued for the public purpose of acquiring, constructing and installing new additions and improvements to the waterworks and sewer system and paying the costs incurred in connection with issuance of the bonds. On August 15, 2012, or on any date thereafter, the bonds of this series having stated maturities on and after August 15, 2013, may be redeemed prior to their scheduled maturities, at the option of the issuer with funds derived from any available and lawful source, as a whole, or in part, in principal amounts of \$5,000 or any integral multiple thereof, at a redemption price of par plus accrued interest. Interest rates range from 4.75% to 5.15%. Total maturity of this series is on August 15, 2022. Principal and interest are payable from net revenues from the water and sewer system. The City is required to maintain a reserve account equal to the average annual debt service requirements. The balance of these bonds at September 30, 2010 is \$1,435,000.

The bonds agreement requires the City's water and sewer fund to maintain and charges rates that will produce net revenues equal to 1.25 times the debt service of the bonds and any additional bonds; and that will be sufficient to generate all deposits required to be made into the funds created under bond ordinances and any ordinance authorizing additional bonds. For the year this ratio is measured at negative .11 meaning that sufficient net revenues were not available to comply with this bond covenant.

Combination Tax and Water and Sewer Revenue Certificates of Obligation, Series 2007

Certificates of Obligation dated March 15, 2007, were issued for paying all or a portion of the City's contractual obligations incurred in connection with (i) acquiring, constructing, installing and equipping additions, extensions and improvements to the City's waterworks and sewer system, and the acquisition of land and interests in land as necessary and (ii) legal, fiscal, design and engineering fees in connection with such projects. On August 15, 2017, or on any date thereafter, the certificates of this series having stated maturities on and after August 15, 2018, may be redeemed prior to their scheduled maturities, at the option of the issuer with funds derived from any available and lawful source, as a whole, or in part, in principal amounts of \$5,000 or any integral multiple thereof, at a redemption price of par plus accrued interest. Interest rates range from 3.6% to 4.0%. Total maturity of this series is on August 15, 2027. Ad valorem taxes and the surplus revenues of the water and sewer fund are pledged to the payment of the certificates, however, if surplus revenues or other lawfully available funds of the City are actually on deposit in the interest and sinking fund in advance of the time when ad valorem taxes are scheduled to be levied for any year, then the amount of taxes required to be levied may be reduced by the revenues on deposit in the interest and sinking fund. The balance of these certificates at September 30, 2010 is \$1,880,000.

CITY OF RICHLAND HILLS, TEXAS
Notes to Financial Statements
September 30, 2010

NOTE 7: LONG-TERM LIABILITIES (Continued)

Combination Tax and Water and Sewer Revenue Certificates of Obligation, Series 2010

Certificates of Obligation dated March 1, 2010, were issued for paying all or a portion of the City's contractual obligations incurred in connection with (i) acquiring, constructing, installing and equipping improvements to the City's stormwater and drainage utility system, and the acquisition of land and interests in land as necessary therefor and (ii) legal, fiscal, design and engineering fees in connection with such projects. On February 15, 2020 or on any date thereafter, the certificates of this series having stated maturities on and after August 15, 2020, may be redeemed prior to their scheduled maturities, at the option of the issuer with funds derived from any available and lawful source, as a whole, or in part, in principal amounts of \$5,000 or any integral multiple thereof, at a redemption price of par plus accrued interest. Interest rates range from 3.000% to 4.125%. Total maturity of this series is on August 15, 2030. Ad valorem taxes and the surplus revenues of the drainage utility fund are pledged to the payment of the certificates, however, if surplus revenues or other lawfully available funds of the City are actually on deposit in the interest and sinking fund in advance of the time when ad valorem taxes are scheduled to be levied for any year, then the amount of taxes required to be levied may be reduced by the revenues on deposit in the interest and sinking fund. The balance of these certificates at September 30, 2010 is \$2,750,000.

The annual requirements to amortize all certificates of obligation, tax notes, contractual obligations and revenue bonds outstanding as of September 30, 2010 are as follows:

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 266,000	\$ 58,345	\$ 324,345	\$ 445,000	\$ 362,479	\$ 807,479
2012	277,000	47,707	324,707	510,000	301,872	811,872
2013	145,000	37,806	182,806	530,000	283,045	813,045
2014	150,000	31,298	181,298	555,000	263,304	818,304
2015	155,000	24,496	179,496	565,000	251,702	816,702
2016-2020	330,000	47,233	377,233	2,660,000	859,065	3,519,065
2021-2025	90,000	5,164	95,164	1,665,000	428,282	2,093,282
2026-2030	-	-	-	1,215,000	133,402	1,348,402
Total debt service requirements	\$ 1,413,000	\$ 252,049	\$ 1,665,049	\$ 8,145,000	\$ 2,883,151	\$ 11,028,151

CITY OF RICHLAND HILLS, TEXAS
Notes to Financial Statements
September 30, 2010

NOTE 7: LONG-TERM LIABILITIES (Continued)

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2010.

	<u>9/30/2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>9/30/2010</u>	<u>Due Within One Year</u>
Governmental Activities:					
Combination Tax and Revenue Certificates of Obligation, Series 2001	\$ 770,000	\$	\$ 90,000	\$ 680,000	\$ 100,000
City of Richland Hills, Texas Tax Note, Series 2005	187,000		60,000	127,000	62,000
City of Richland Hills, Texas Tax Note, Series 2006	222,000		71,000	151,000	74,000
Public Property Finance Contractual Obligation, Series 2007	485,000		30,000	455,000	30,000
Compensated Absences	208,584	253,529	241,582	220,531	220,531
Net Pension Obligation	67,650	99,859		167,509	-
Total Governmental Activities	<u>1,940,234</u>	<u>353,388</u>	<u>492,582</u>	<u>1,801,040</u>	<u>486,531</u>
Business-type Activities:					
Combination Tax and Revenue Certificates of Obligation, Series 1998	2,285,000		205,000	2,080,000	220,000
Combination Tax and Revenue Certificates of Obligation, Series 2007	1,960,000		80,000	1,880,000	80,000
Combination Tax and Revenue Certificates of Obligation, Series 2010	-	2,750,000		2,750,000	50,000
Capital Lease Payable	343,336		42,815	300,521	44,741
Waterworks and Sewer System Revenue Bonds, Series 2002	1,525,000		90,000	1,435,000	95,000
Note Payable - wastewater charges	-	375,152	-	375,152	322,451
Compensated Absences	84,630	36,825	36,825	84,630	36,825
Net Pension Obligation	17,968	25,696		43,664	-
Total Business-type Activities	<u>6,215,934</u>	<u>3,187,673</u>	<u>454,640</u>	<u>8,948,967</u>	<u>849,017</u>
Total Long-Term Debt	<u>\$ 8,156,168</u>	<u>\$ 3,541,061</u>	<u>\$ 947,222</u>	<u>\$ 10,750,007</u>	<u>\$ 1,335,548</u>

Compensated absences

Compensated absences and the net pension obligations of the governmental activities and business-type activities are paid by the general fund and water and sewer fund, respectively.

CITY OF RICHLAND HILLS, TEXAS
Notes to Financial Statements
September 30, 2010

NOTE 8: NOTES PAYABLE – WASTEWATER CHARGES

The City has a contract with the City of Fort Worth for wastewater treatment. During the year the two Cities agreed to a payment plan for services rendered in February 2010 through September 2010 totaling \$601,683, which includes late fees of \$7,969. The first payment of \$123,000 is due November 20, 2010. Subsequent payments of \$19,945 are due on the 20th of each month from December 2010 through November 2012. No interest is being charged on this balance. If payments are not made by the due dates provided in the agreement, the payment plan will be in default, the unpaid portion of the payment plan will be due immediately, and interest and late fees will begin accruing per the Wholesale Wastewater Contract terms.

In March 2011 it was discovered that the City of Fort Worth's wastewater meter was recording incorrect flows. Richland Hills received a credit of \$226,531 for the usage of September 2009 through September 2010. This credit was applied to the balance due on the payment plan and leaves a balance due of \$375,152.

The annual requirements as of September 30, 2010 are as follows:

2011	\$ 322,451
2012	<u>52,701</u>
Total requirements	<u><u>\$ 375,152</u></u>

NOTE 9: CAPITAL LEASES PAYABLE

November 3, 2006, the City entered into a lease-purchase agreement with Chase Equipment Leasing, Inc. to finance an electronic meter read project for the water and sewer fund. The total cost of the project was \$581,801. The interest rate is 4.5% per annum. The \$478,191 proceeds of the lease-purchase agreement were deposited into an escrow account with the Bank of New York Trust Company, N.A. During the fiscal year ending September 30, 2009 the remaining lease proceeds of \$129,404 were received. Future minimum lease-purchase commitments are as follows:

	<u>Business-type Activities</u>
2011	58,265
2012	58,265
2013	58,264
2014	58,264
2015	58,264
2016	<u>58,264</u>
Total debt service requirements	349,586
Less: Interest Portion	<u>49,065</u>
Debt Principal	<u><u>\$ 300,521</u></u>

Assets under lease-purchase agreements and the related accumulated depreciation are reported as follows:

	<u>Business-type Activities</u>
Water and sewer systems	\$ 581,801
Less: Accumulated Depreciation	<u>(94,543)</u>
Net	<u><u>\$ 487,258</u></u>

CITY OF RICHLAND HILLS, TEXAS
Notes to Financial Statements
September 30, 2010

NOTE 10: RISK-POOL INSURANCE

The City is a member of the Texas Municipal League and participates in the Intergovernmental Risk Pool insurance coverage and are 100% covered through third-party insurance policies. See table in statistical section for supplemental information for carriers, deductibles and coverage limits. There has been no reduction in coverage and the amount of settlements during the past three years has not exceeded the insurance coverage.

NOTE 11: DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time government employees at their option, permits participant to defer a portion of their salary until future years. The plan is administered by the Public Employees Benefit Services Corporation (PEBSO). The City does not contribute to this plan nor does it have any liability for this plan.

NOTE 12: RETIREMENT PLAN

Plan Description

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

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City for 2010 and 2009 were the same and were as follows:

Employee Deposit Rate:	7%
Matching Rate (city to employee)	2 to 1
Years required for vesting	5 years
Service retirement eligibility (age/years of service)	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers
Annuity Increases (to retirees)	70% of CPI Repeating

Contributions

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

CITY OF RICHLAND HILLS, TEXAS
Notes to Financial Statements
September 30, 2010

NOTE 12: RETIREMENT PLAN (Continued)

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

	2010	2009	2008
Annual required contribution (ARC)	\$ 747,806	\$ 607,604	\$ 464,991
Interest on Net Pension Obligation	6,421	-	-
Adjustment to the ARC	(5,228)	-	-
Annual pension cost (APC)	748,999	607,604	464,991
Contributions Made	623,444	521,986	464,991
Increase (decrease) in NPO	125,555	85,618	-
Net Pension Obligation/(Asset), beginning of year	85,618	-	-
Net Pension Obligation/(Asset), end of year	\$ 211,173	\$ 85,618	\$ -
Contributions as a percentage of ARC	83.37%	85.91%	100.00%

Actuarial Assumptions

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

General System-wide Actuarial Assumptions

Actuarial Valuation Date	12/31/09	12/31/08	12/31/07
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	28 Years-Closed Period	29 Years-Closed Period	30 Years-Closed Period
Amortization Period for new Gains/Losses	30 Years	30 Years	30 Years
Asset Valuation Method	10-year Smoothed Market	Amortized Cost	Amortized Cost
Actuarial Assumptions:			
Investment Rate of Return	7.5%	7.5%	7.0%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation At	3.0%	3.0%	3.0%
Cost of Living Adjustments	2.1%	2.1%	2.1%

CITY OF RICHLAND HILLS, TEXAS
Notes to Financial Statements
September 30, 2010

NOTE 12: RETIREMENT PLAN (Continued)

Funded Status

As of December 31, 2009, the most recent actuarial valuation date, the plan was 67.9% funded. The actuarial accrued liability was \$16,892,517 and the actuarial value of assets was \$11,470,121, resulting in an unfunded actuarial accrued liability of \$5,422,396. The covered payroll was \$3,898,255 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 139.1%.

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

NOTE 13. OTHER POST EMPLOYMENT BENEFITS

Supplemental Death Benefits Fund

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

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

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

Schedule of Contribution Rates:
 (retiree-only portion of rate)

Plan/ Calendar Year	Annual Required Contribution Rate	Actual Contribution Made Rate	Percentage of ARC Contributed
2008	0.06%	0.06%	100%
2009	0.05%	0.05%	100%
2010	0.05%	0.05%	100%

CITY OF RICHLAND HILLS, TEXAS
Notes to Financial Statements
September 30, 2010

NOTE 14. COST-SHARING ARRANGEMENTS

A. Community Development Block Grants

The City participates with Tarrant County in construction projects that are federally funded through annual Community Development Block Grants to the County. The grant amount available to Tarrant County and allocated to the 35th Year project for curb, gutter, and driveway replacement on Maple Park was \$66,178. Project construction and engineering costs for the current fiscal year were \$51,179 and \$14,999, respectively.

NOTE 15: CONTINGENT LIABILITIES

A. Federal and State Programs

Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made, in compliance with program guidelines, to the grantor agency.

These programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, the City has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of fund monies may be required.

As it pertains to other matters of compliance, in the opinion of the City's administration, there are no significant contingent liabilities relating to matters of compliance and accordingly, no provision has been made in the accompanying financial statements for such contingencies.

NOTE 16: CONTRACTS AND COMMITMENTS

A. Wastewater Treatment

On June 8, 1987, the City entered into a 30 year agreement with the City of Fort Worth whereby Fort Worth agreed to provide wastewater treatment to the City. The agreement allows the City to connect its wastewater system to the Fort Worth waste water system. Charges to the City are based upon cost-of-service rate studies performed by independent utility rate consultants. This contract has been amended various times during the years. Charges during 2010 for the treatment of wastewater by the City of Fort Worth were \$636,353.

B. Water Treatment

The City entered into a 20 year agreement with the City of Fort Worth effective January 1, 2011 through September 30, 2031 whereby Fort Worth agreed to provide treated water to the City. Rates to purchase the water will be based upon a cost-of-service rate study conducted every three years by independent utility rate consultants. Charges during 2010 for the purchase of treated water from the City of Fort Worth were \$519,370.

C. Transportation of Sewerage

On May 13, 1986, the City entered into an agreement with the City of Hurst to allow sewerage to be metered in Hurst then transported through the Trinity River Authority Calloway Branch sewer line to the city of Fort Worth. Charges to the City are based upon current sewer rates charged to Hurst by the Trinity River Authority and a \$75.00 per month meter service charge. Charges during 2010 from the City of Hurst were \$149,123.

CITY OF RICHLAND HILLS, TEXAS
Notes to Financial Statements
September 30, 2010

NOTE 17: SUBSEQUENT EVENTS

A. *Contractual Obligations*

February 10, 2011 the City issued the Public Property Finance Contractual Obligations, Series 2011 in the amount of \$473,000. The debt service will be paid with the levy of an ad valorem tax.

Subsequent events were evaluated through March 23, 2011, which is the date the financial statements were available to be issued.

NOTE 18: NEW PRONOUNCEMENTS

In March 2009, the GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The provisions of this statement are effective for the City for periods beginning after June 15, 2010. The City has not yet determined the effect this statement will have on its financial statements.

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General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended September 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
REVENUES:				
Taxes:				
General property	\$ 1,907,073	\$ 1,907,073	\$ 1,903,300	\$ (3,773)
Sales and use	1,482,340	1,482,340	1,498,427	16,087
Franchise	573,953	573,953	515,811	(58,142)
Fines and fees	501,872	501,872	328,509	(173,363)
Licenses and permits	154,017	154,017	111,859	(42,158)
Charges for service	266,469	266,469	240,425	(26,044)
Intergovernmental revenue	93,936	102,175	226,609	124,434
Park and recreation	10,082	10,082	9,007	(1,075)
Interest income	41,939	41,939	1,233	(40,706)
Other revenue	108,841	108,841	90,576	(18,265)
Total revenues	<u>5,140,522</u>	<u>5,148,761</u>	<u>4,925,756</u>	<u>(223,005)</u>
EXPENDITURES:				
Current				
General government	277,816	286,036	321,312	(35,276)
Legislative	51,943	51,943	54,868	(2,925)
Municipal court	219,688	229,973	207,982	21,991
Police	2,025,971	2,028,391	1,881,841	146,550
Fire and ambulance	1,442,640	1,442,640	1,504,232	(61,592)
Code enforcement	239,211	239,211	263,683	(24,472)
Animal control	117,287	117,287	88,408	28,879
Keep Richland Hills Beautiful	15,000	15,000	20,309	(5,309)
Street and highways	373,293	527,937	510,250	17,687
Library	321,398	329,637	329,463	174
Community center	34,838	34,838	36,935	(2,097)
Parks and beautification	10,000	10,000	4,256	5,744
Economic development	57,211	57,211	56,720	491
Capital outlay	16,198	29,240	15,240	14,000
Total expenditures	<u>5,202,494</u>	<u>5,399,344</u>	<u>5,295,499</u>	<u>103,845</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(61,972)</u>	<u>(250,583)</u>	<u>(369,743)</u>	<u>(119,160)</u>
Other financing sources (uses):				
Proceeds from sale of general capital assets	29,057	29,057	20,728	(8,329)
Transfers in	28,614	112,707	28,661	(84,046)
Transfers out	-	(16,198)	(171,973)	(155,775)
Total other financing sources (uses)	<u>57,671</u>	<u>125,566</u>	<u>(122,584)</u>	<u>(248,150)</u>
Net change in fund balance	(4,301)	(125,017)	(492,327)	(367,310)
Fund balance, October 1, 2009	<u>2,567,149</u>	<u>2,567,149</u>	<u>2,567,149</u>	-
Fund balance, September 30, 2010	<u>\$ 2,562,848</u>	<u>\$ 2,442,132</u>	<u>\$ 2,074,822</u>	<u>\$ (367,310)</u>

The accompanying notes to required supplementary information are an integral part of this schedule.

CITY OF RICHLAND HILLS, TEXAS
Texas Municipal Retirement System
Schedule of Funding Progress

Exhibit E-2

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (ALL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2007	9,974,159	14,293,705	69.8%	4,319,546	3,265,589	132.3%
12/31/2008	10,454,174	15,341,093	68.1%	4,886,919	3,550,541	137.6%
12/31/2009	11,470,121	16,892,517	67.9%	5,422,396	3,898,255	139.1%

CITY OF RICHLAND HILLS, TEXAS
Notes to Required Supplementary Information
September 30, 2010

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, Richland Hills Development Corporation special revenue fund, Crime Control and Prevention District special revenue fund, Red Light Enforce special revenue fund, Hotel Occupancy Tax special revenue fund, debt service fund, all the capital project funds, and the following enterprise funds: water and sewer fund and drainage utility fund. All annual appropriations lapse at fiscal year end.

At least 35 days prior to the beginning of the budget year, October 1, the City Manager will submit his proposed city budget for the ensuing year to the City Council. From its date of submission, the proposed budget shall be a public record. The City Council shall hold a public hearing on the proposed budget at least 14 days before the beginning of the budget year. At least 10 days notice of such public hearing will be given by notice in the official newspaper. After a hearing, the City Council may make such changes it deems proper in the proposed budget and adopt a final budget prior to the beginning of the budget year. All budget hearings and actions on the budget shall be open to the public. If a final budget is not adopted by the beginning of the budget year, the proposed budget of the City Manager shall be deemed to have been approved. The budget shall go into effect on the first day of the budget year. The budget may be amended during the year only after complying with the notice procedure called for above for adoption of the budget. The City Manager is authorized to transfer budgeted amounts between line items and departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at September 30, and encumbrances outstanding at the time are to be either canceled or appropriately provided for in the subsequent year's budget. End-of-year outstanding encumbrances that were provided for in the subsequent year's budget were \$0.

The City's budget was properly amended throughout the year as needed.

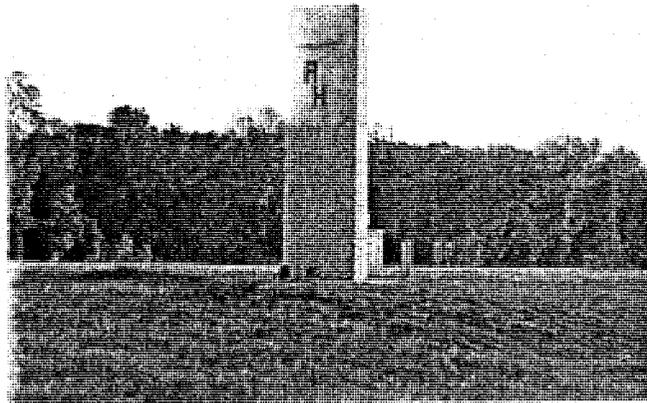
B. Excess of Expenditures Over Appropriations

The following funds incurred total expenditures in excess of appropriations.

The water and sewer fund operating expenses excluding depreciation exceeded appropriations by \$474,650 primarily due to water purchases and wastewater treatment charges that exceeded appropriates by, \$94,370, and \$321,376 respectively.

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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**



Richland Hills *We're in the middle of things...*

MAJOR GOVERNMENTAL FUNDS

The **General Fund** is the principal operating fund of the City and is used to account for all financial resources and expenditures which are not accounted for in any other fund.

CITY OF RICHLAND HILLS, TEXAS

EXHIBIT F-1

General Fund

Comparative Balance Sheets
September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Assets:		
Cash and cash equivalents	\$ 886,741	\$ 557,096
Investments	563,966	1,063,940
Receivables (net of allowances for uncollectibles):		
Property taxes, delinquent	88,915	86,183
Sales and use taxes	284,564	126,387
Franchise taxes	251,206	28,372
Interest receivable	78,142	-
EMS charges	285,321	-
Intergovernmental	6,528	268,714
Due from other funds	<u>1,042,163</u>	<u>1,066,937</u>
Total assets	<u>\$ 3,487,546</u>	<u>\$ 3,197,629</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	\$ 277,077	\$ 239,522
Due to other funds	292,486	287,305
Deferred and unearned revenue	<u>843,161</u>	<u>103,653</u>
Total liabilities	<u>1,412,724</u>	<u>630,480</u>
Fund balances:		
Reserved for police station improvements	5,587	5,832
Reserved for parks and beautification	22,335	17,568
Reserved for library	10,938	17,670
Reserved for animal services	44,081	42,311
Reserved for long-term due from other funds	876,262	-
Unreserved - undesignated	<u>1,115,619</u>	<u>2,483,768</u>
Total fund balances	<u>2,074,822</u>	<u>2,567,149</u>
Total liabilities and fund balances	<u>\$ 3,487,546</u>	<u>\$ 3,197,629</u>

CITY OF RICHLAND HILLS, TEXAS

EXHIBIT F-2

General Fund

Comparative Statements of Revenues, Expenditures and Changes in Fund Balance
For the fiscal years ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
REVENUES:		
Taxes:		
General property	\$ 1,903,300	\$ 1,851,635
Sales and use	1,498,427	1,523,221
Franchise	515,811	560,154
Fines and fees	328,509	446,148
Licenses and permits	111,859	69,108
Charges for service	240,425	237,184
Intergovernmental Revenue	226,609	313,325
Park and recreation	9,007	10,164
Interest income	1,233	5,908
Other revenue	90,576	123,612
Total revenues	<u>4,925,756</u>	<u>5,140,459</u>
EXPENDITURES:		
Current		
General government	321,312	301,751
Legislative	54,868	63,333
Municipal court	207,982	218,224
Police	1,881,841	1,680,320
Fire and ambulance	1,504,232	1,431,749
Code enforcement	263,683	166,063
Animal control	88,408	103,605
Keep Richland Hills Beautiful	20,309	11,462
Street and highways	510,250	656,433
Library	329,463	293,622
Community center	36,935	34,607
Parks and beautification	4,256	16,005
Economic development	56,720	77,805
Capital outlay	15,240	51,761
Total expenditures	<u>5,295,499</u>	<u>5,106,740</u>
Excess (deficiency) of revenue over (under) expenditures	(369,743)	33,719
Other financing sources (uses):		
Proceeds from sale of general capital assets	20,728	51,600
Transfers in	28,661	-
Transfers out	(171,973)	(401,311)
Total other financing sources (uses)	<u>(122,584)</u>	<u>(349,711)</u>
Net change in fund balance	(492,327)	(315,992)
Fund balance, October 1, 2009	<u>2,567,149</u>	<u>2,883,141</u>
Fund balance, September 30, 2010	<u>\$ 2,074,822</u>	<u>\$ 2,567,149</u>

CITY OF RICHLAND HILLS, TEXAS
 General Fund Comparative Schedule of Revenues
 Expenditures and Changes in Fund Balance - Budget and Actual
 For the Fiscal Years Ended September 30, 2010 and 2009

	2010		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES:			
General property taxes:			
Property taxes- current	\$ 1,859,021	\$ 1,886,905	\$ 27,884
Property taxes- delinquent	24,085	(8,162)	(32,247)
Interest and penalties	23,967	24,557	590
Total general property taxes	<u>1,907,073</u>	<u>1,903,300</u>	<u>(3,773)</u>
Sales and use taxes:			
Sales and use tax	1,480,344	1,496,711	16,367
Liquor tax	1,996	1,716	(280)
Total sales and use taxes	<u>1,482,340</u>	<u>1,498,427</u>	<u>16,087</u>
Franchise taxes:			
Water and sewer	60,000	60,000	-
Electrical	272,959	233,961	(38,998)
Natural gas	94,322	65,687	(28,635)
Telephone	90,774	77,325	(13,449)
Waste disposal	16,774	17,888	1,114
Cable television	39,124	60,950	21,826
Total franchise taxes	<u>573,953</u>	<u>515,811</u>	<u>(58,142)</u>
Fines and fees:			
Municipal court fines	307,821	211,168	(96,653)
Warrant fees	68,057	36,333	(31,724)
Other fines and fees	125,994	81,008	(44,986)
Total fines and fees	<u>501,872</u>	<u>328,509</u>	<u>(173,363)</u>
Licenses and permits:			
Electrical licenses	46,043	26,657	(19,386)
Animal licenses	431	378	(53)
Fire code permits	17,261	10,059	(7,202)
Building permits	77,227	47,413	(29,814)
Gas drilling permits	-	15,400	15,400
Plumbing permits	11,138	8,795	(2,343)
Other permits	1,917	3,157	1,240
Total license and permits	<u>154,017</u>	<u>111,859</u>	<u>(42,158)</u>
Charges for services:			
Lot mowing	10,761	945	(9,816)
Copier	3,302	2,704	(598)
Ambulance	232,092	216,928	(15,164)
Animal vaccinations	257	105	(152)
Community center fees	4,690	3,025	(1,665)
Community center rentals	12,716	13,382	666
Library	2,651	3,336	685
Total charges for services	<u>266,469</u>	<u>240,425</u>	<u>(26,044)</u>
Park and recreation revenue	10,082	9,007	(1,075)
Intergovernmental	102,175	226,609	124,434
Interest income	41,939	1,233	(40,706)
Other revenue	108,841	90,576	(18,265)
Total revenue	\$ <u>5,148,761</u>	\$ <u>4,925,756</u>	\$ <u>(223,005)</u>

2009		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 1,773,895	\$ 1,807,129	\$ 33,234
23,236	19,961	(3,275)
22,176	24,545	2,369
<u>1,819,307</u>	<u>1,851,635</u>	<u>32,328</u>
1,371,134	1,521,266	150,132
1,885	1,955	70
<u>1,373,019</u>	<u>1,523,221</u>	<u>150,202</u>
60,000	60,000	-
277,836	256,513	(21,323)
107,057	93,389	(13,668)
94,180	86,750	(7,430)
16,659	16,363	(296)
37,745	47,139	9,394
<u>593,477</u>	<u>560,154</u>	<u>(33,323)</u>
342,628	281,940	(60,688)
69,672	54,480	(15,192)
148,598	109,728	(38,870)
<u>560,898</u>	<u>446,148</u>	<u>(114,750)</u>
37,748	27,391	(10,357)
495	605	110
14,640	3,980	(10,660)
73,891	28,754	(45,137)
-	-	-
9,754	5,698	(4,056)
1,268	2,680	1,412
<u>137,796</u>	<u>69,108</u>	<u>(68,688)</u>
10,257	5,293	(4,964)
4,172	2,595	(1,577)
236,034	210,110	(25,924)
332	105	(227)
5,633	2,991	(2,642)
12,036	13,229	1,193
2,685	2,861	176
<u>271,149</u>	<u>237,184</u>	<u>(33,965)</u>
12,618	10,164	(2,454)
32,304	313,325	281,021
76,412	5,908	(70,504)
<u>85,209</u>	<u>123,612</u>	<u>38,403</u>
<u>\$ 4,962,189</u>	<u>\$ 5,140,459</u>	<u>\$ 178,270</u>

CITY OF RICHLAND HILLS, TEXAS
 General Fund Comparative Schedule of Revenues
 Expenditures and Changes in Fund Balance - Budget and Actual
 For the Fiscal Years Ended September 30, 2010 and 2009

	2010		Variance
	Budget	Actual	Favorable (Unfavorable)
EXPENDITURES:			
GENERAL GOVERNMENT:			
General administration:			
Salaries	\$ 121,210	\$ 123,105	\$ (1,895)
Payroll tax	9,021	8,520	501
Retirement	16,769	20,754	(3,985)
Employee insurance	15,082	15,082	-
Legal services	38,688	52,871	(14,183)
Auditing	8,924	10,038	(1,114)
Engineering	-	3,839	(3,839)
Appraisal district fees	14,732	14,637	95
Physicals	-	(290)	290
Office supplies	4,039	9,008	(4,969)
Printing	2,160	1,808	352
Equipment maintenance	12,256	29,352	(17,096)
Building maintenance	9,765	10,507	(742)
Legal advertising	1,380	1,221	159
Postage	6,481	5,084	1,397
Memberships	1,460	2,178	(718)
Travel expense	2,086	216	1,870
Subscriptions and publications	328	68	260
Other programs	1,000	92	908
Newsletter	658	1,277	(619)
Nuisance abatement	8,220	-	8,220
Power and light	4,448	4,678	(230)
Natural gas	400	434	(34)
Telephone	3,746	4,061	(315)
Insurance	2,986	2,602	384
Employee bond	197	170	27
Total general administration	286,036	321,312	(35,276)
Legislative:			
Salaries	22,221	27,833	(5,612)
Payroll tax	1,646	2,007	(361)
Retirement	3,060	4,308	(1,248)
Employee insurance	1,853	2,124	(271)
Council compensation	216	365	(149)
Supplies	900	206	694
Printing	360	1,913	(1,553)
Minor office equipment	-	306	(306)
Office equipment maintenance	600	2,821	(2,221)
Election expense	2,448	2,717	(269)
Legal advertising	900	132	768
Postage	745	574	171
Memberships	3,130	1,657	1,473
Subscriptions and publications	1,502	386	1,116
Employee volunteer programs	2,100	1,564	536
Other programs	195	-	195
Travel and training	3,000	1,670	1,330
Contingency fund	2,250	276	1,974
Insurance	4,817	4,009	808
Total legislative	51,943	54,868	(2,925)

2009		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 117,047	\$ 117,138	\$ (91)
8,701	7,985	716
15,079	19,645	(4,566)
12,683	13,058	(375)
35,000	53,515	(18,515)
8,924	9,588	(664)
-	2,100	(2,100)
14,303	14,467	(164)
-	-	-
4,159	4,196	(37)
2,160	1,225	935
11,250	25,169	(13,919)
9,300	9,589	(289)
1,380	1,512	(132)
6,172	6,218	(46)
1,295	1,855	(560)
2,086	769	1,317
328	68	260
789	1,626	(837)
658	-	658
-	-	-
4,630	4,888	(258)
515	252	263
3,608	3,675	(67)
2,918	3,034	(116)
190	179	11
<u>263,175</u>	<u>301,751</u>	<u>(38,576)</u>
21,400	28,691	(7,291)
1,599	2,022	(423)
2,743	3,921	(1,178)
1,546	2,062	(516)
216	375	(159)
900	988	(88)
360	2,931	(2,571)
-	-	-
300	968	(668)
1,560	2,562	(1,002)
900	262	638
712	712	-
3,130	3,386	(256)
1,502	211	1,291
3,760	6,791	(3,031)
195	15	180
3,000	2,347	653
2,250	540	1,710
4,757	4,549	208
<u>50,830</u>	<u>63,333</u>	<u>(12,503)</u>

CITY OF RICHLAND HILLS, TEXAS
 General Fund Comparative Schedule of Revenues
 Expenditures and Changes in Fund Balance - Budget and Actual
 For the Fiscal Years Ended September 30, 2010 and 2009

	2010		Variance Favorable (Unfavorable)
	Budget	Actual	
JUDICIAL:			
Municipal court:			
Salaries	\$ 146,505	\$ 134,557	\$ 11,948
Overtime	-	-	-
Payroll tax	11,906	10,703	1,203
Retirement	17,487	17,515	(28)
Employee insurance	14,484	11,587	2,897
Contract labor	2,000	1,433	567
Office supplies	2,950	654	2,296
Printing	1,500	413	1,087
Gasoline and oil	2,520	3,454	(934)
Vehicle maintenance	1,850	1,876	(26)
Uniforms	925	579	346
Comm. equip. maintenance	2,000	2,556	(556)
Office equip. maintenance	2,000	762	1,238
Travel and training	900	200	700
Jury expense	-	-	-
Dues and subscriptions	115	40	75
Insurance	2,191	1,913	278
Municipal court building security	10,355	10,355	-
Municipal court technology fund office equipment maintenance	10,285	9,385	900
Municipal court technology fund minor office equipment	-	-	-
Municipal court technology fund equipment	-	-	-
Total municipal court	229,973	207,982	21,991
PUBLIC SAFETY:			
Police Department:			
Salaries	1,260,689	1,178,887	81,802
Payroll tax	96,831	90,623	6,208
Retirement	176,486	180,369	(3,883)
Employee insurance	155,712	133,652	22,060
Physicals	1,160	1,410	(250)
Immunization/Vaccination	3,210	-	3,210
Polygraph	600	300	300
Psychologicals	975	600	375
Contract labor	-	-	-
Office supplies	9,820	6,456	3,364
Minor office equipment	5,791	691	5,100
Operating supplies	2,550	1,085	1,465
Printing	4,800	2,289	2,511
Gasoline	30,621	32,348	(1,727)
Equipment maintenance	32,821	30,272	2,549
Building maintenance/supplies	5,749	12,978	(7,229)
Jail expense	8,020	7,611	409
Uniforms & protective gear	22,337	20,603	1,734
Vehicle maintenance	20,764	17,584	3,180
Communication equipment	18,781	17,004	1,777
Hand tools & small equipment	1,220	-	1,220
Operating equipment maint	1,275	968	307
Ammunition and supplies	2,480	1,409	1,071
Legal advertising	1,730	543	1,187
Memberships	1,990	1,385	605
Subscriptions and publications	7,477	5,099	2,378
Other programs	2,500	201	2,299

2009		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 165,068	\$ 142,396	\$ 22,672
-	-	-
13,487	10,733	2,754
18,789	16,506	2,283
15,463	11,597	3,866
1,500	1,882	(382)
2,950	499	2,451
1,500	1,126	374
2,520	2,804	(284)
825	887	(62)
600	183	417
2,805	2,168	637
2,500	652	1,848
900	513	387
50	-	50
115	75	40
2,089	2,259	(170)
10,355	10,355	-
-	12,103	(12,103)
11,400	-	11,400
2,400	1,486	914
<u>255,316</u>	<u>218,224</u>	<u>37,092</u>

1,174,519	1,070,631	103,888
96,266	81,714	14,552
158,551	143,462	15,089
135,474	116,700	18,774
825	877	(52)
3,210	-	3,210
600	700	(100)
900	900	-
2,992	-	2,992
8,200	6,878	1,322
5,600	845	4,755
2,675	1,252	1,423
2,500	951	1,549
35,230	30,934	4,296
27,765	31,191	(3,426)
4,790	4,662	128
8,450	7,000	1,450
23,137	12,811	10,326
20,045	13,401	6,644
18,463	15,401	3,062
3,903	863	3,040
1,390	991	399
2,765	892	1,873
1,200	892	308
2,080	1,401	679
5,218	5,723	(505)
2,500	1,270	1,230

CITY OF RICHLAND HILLS, TEXAS
 General Fund Comparative Schedule of Revenues
 Expenditures and Changes in Fund Balance - Budget and Actual
 For the Fiscal Years Ended September 30, 2010 and 2009

	2010		Variance Favorable (Unfavorable)
	Budget	Actual	
Police Department:			
Veterinary care	\$ -	\$ -	\$ -
PD K-9 program	-	-	-
Travel and training	19,175	20,319	(1,144)
Breathalyser test	4,900	4,125	775
Crime prevention	1,500	1,029	471
Criminal investigation	9,735	8,612	1,123
Explorer program	-	510	(510)
Power and light	27,800	21,034	6,766
Natural gas	1,100	858	242
Telephone	23,980	24,875	(895)
Miscellaneous expense	260	252	8
Insurance	63,552	47,323	16,229
Equipment	-	8,537	(8,537)
Total police department	2,028,391	1,881,841	146,550
Fire and ambulance department:			
Salaries	968,867	992,307	(23,440)
Payroll tax	71,913	76,294	(4,381)
Retirement	120,045	149,110	(29,065)
Employee insurance	98,491	88,352	10,139
Physicals/psychologicals	4,100	4,180	(80)
Immunizations/vaccinations	100	-	100
Office supplies	2,000	1,986	14
Operating supplies	1,264	1,186	78
Printing	986	221	765
Legal advertising	300	-	300
Gasoline and oil	14,847	15,350	(503)
Uniforms & protective gear	8,500	9,339	(839)
Vehicle maintenance	6,329	17,414	(11,085)
Communication equipment	10,908	11,606	(698)
Hand tools & small equip	4,680	3,241	1,439
Operating equipment maint	6,365	12,889	(6,524)
Equipment supplies & maint	5,344	9,019	(3,675)
Fire prevention supplies	1,850	-	1,850
Ambulance supplies	22,000	18,185	3,815
Building supplies & maint	4,500	11,200	(6,700)
Memberships	15,125	16,385	(1,260)
Subscriptions and publications	1,235	734	501
Tuition Reimbursement	-	-	-
Travel and training	10,350	12,511	(2,161)
Power and light	9,100	8,460	640
Natural gas	3,000	2,702	298
Telephone	9,800	8,169	1,631
Insurance	37,041	32,225	4,816
Emergency management	3,600	1,167	2,433
Equipment	-	-	-
Total fire and ambulance dept	1,442,640	1,504,232	(61,592)
Code enforcement department:			
Salaries	142,550	145,172	(2,622)
Payroll tax	11,040	11,098	(58)
Retirement	20,457	22,370	(1,913)

2009		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 1,000	\$ -	\$ 1,000
-	2,945	(2,945)
15,500	12,084	3,416
4,600	4,887	(287)
2,000	609	1,391
9,875	3,649	6,226
24,000	25,572	(1,572)
1,250	787	463
22,208	22,613	(405)
175	209	(34)
60,660	48,728	11,932
42,800	5,895	36,905
<u>1,933,316</u>	<u>1,680,320</u>	<u>252,996</u>
935,100	956,145	(21,045)
70,540	70,757	(217)
120,432	125,246	(4,814)
87,624	83,758	3,866
5,400	3,916	1,484
-	-	-
2,200	1,985	215
1,442	701	741
1,000	663	337
200	194	6
18,220	13,912	4,308
9,729	14,331	(4,602)
7,300	8,421	(1,121)
8,760	12,016	(3,256)
4,680	6,794	(2,114)
5,940	12,406	(6,466)
3,300	4,325	(1,025)
2,250	384	1,866
22,000	21,353	647
4,500	8,160	(3,660)
15,125	15,796	(671)
1,190	1,526	(336)
-	-	-
12,140	11,979	161
8,000	9,527	(1,527)
2,500	1,897	603
8,588	7,454	1,134
35,039	37,893	(2,854)
2,600	210	2,390
16,182	-	16,182
<u>1,411,981</u>	<u>1,431,749</u>	<u>(19,768)</u>
100,945	102,171	(1,226)
7,922	7,709	213
13,506	13,980	(474)

CITY OF RICHLAND HILLS, TEXAS
 General Fund Comparative Schedule of Revenues
 Expenditures and Changes in Fund Balance - Budget and Actual
 For the Fiscal Years Ended September 30, 2010 and 2009

	2010		Variance
	Budget	Actual	Favorable (Unfavorable)
Code enforcement dept cont.:			
Employee insurance	\$ 17,381	\$ 16,898	\$ 483
Engineer and consulting fees	26,772	49,454	(22,682)
Filing fees	1,000	295	705
Office supplies	1,200	1,453	(253)
Printing	700	203	497
Gasoline and oil	3,100	940	2,160
Vehicle maintenance	800	8	792
Equipment & maintenance	1,350	6,549	(5,199)
Legal advertising	1,300	1,314	(14)
Uniforms	600	214	386
Memberships, subscriptions and publications	550	-	550
Plumbing inspections	750	-	750
Travel and training	3,600	3,730	(130)
Lot mowing	2,500	240	2,260
Telephone	1,649	2,103	(454)
Insurance	1,912	1,642	270
Total code enforcement dept	<u>239,211</u>	<u>263,683</u>	<u>(24,472)</u>
Animal control department:			
Salaries	54,946	47,450	7,496
Payroll tax	4,240	3,592	648
Retirement	7,785	6,659	1,126
Employee insurance	5,794	1,931	3,863
Physicals	350	290	60
Office supplies	1,525	1,092	433
Printing	1,000	345	655
Gasoline and oil	1,680	538	1,142
Vehicle maintenance	1,551	39	1,512
Equipment & maintenance	1,640	2,218	(578)
Building supplies & maint	6,000	2,634	3,366
Legal advertising	100	218	(118)
Uniforms	745	603	142
Memberships	215	25	190
Other programs	1,000	752	248
Travel and training	1,350	1,709	(359)
Power and light	7,272	6,039	1,233
Natural gas	900	558	342
Telephone	3,850	5,834	(1,984)
Insurance	1,634	1,433	201
Capital outlay	13,710	4,449	9,261
Total animal control department	<u>117,287</u>	<u>88,408</u>	<u>28,879</u>
Keep Richland Hills Beautiful:			
Office supplies	500	111	389
Minor office equipment	500	-	500
Adopt-a-spot	2,000	695	1,305
Memberships, subscriptions and publications	500	215	285
Travel and training	4,000	-	4,000
Promotions/retentions	7,500	19,288	(11,788)
Total Keep Richland Hills Beautiful	<u>15,000</u>	<u>20,309</u>	<u>(5,309)</u>

2009		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 10,309	\$ 8,591	\$ 1,718
-	-	-
1,000	507	493
1,000	5,281	(4,281)
700	800	(100)
3,100	1,562	1,538
800	27	773
15,812	4,741	11,071
1,300	730	570
100	-	100
850	266	584
750	14,014	(13,264)
600	1,433	(833)
2,500	380	2,120
1,649	1,945	(296)
1,912	1,926	(14)
<u>164,755</u>	<u>166,063</u>	<u>(1,308)</u>
54,774	55,799	(1,025)
4,388	4,359	29
7,329	7,812	(483)
5,154	5,154	-
350	-	350
7,260	1,288	5,972
500	-	500
2,205	1,039	1,166
1,582	178	1,404
1,723	2,066	(343)
1,000	786	214
100	-	100
500	124	376
215	210	5
1,000	645	355
1,900	425	1,475
7,061	6,878	183
995	655	340
3,600	4,697	(1,097)
1,576	1,660	(84)
6,800	9,830	(3,030)
<u>110,012</u>	<u>103,605</u>	<u>6,407</u>
500	199	301
500	-	500
2,000	1,466	534
500	100	400
1,000	55	945
10,500	9,642	858
<u>15,000</u>	<u>11,462</u>	<u>3,538</u>

CITY OF RICHLAND HILLS, TEXAS
 General Fund Comparative Schedule of Revenues
 Expenditures and Changes in Fund Balance - Budget and Actual
 For the Fiscal Years Ended September 30, 2010 and 2009

	2010		
	Budget	Actual	Variance Favorable (Unfavorable)
Highways & streets:			
Street department			
Salaries	\$ 94,081	\$ 79,757	\$ 14,324
Payroll tax	7,053	6,735	318
Retirement	12,977	11,838	1,139
Employee insurance	17,381	14,001	3,380
Physicals/psychologicals	300	-	300
Office supplies	500	89	411
Operating supplies	1,800	541	1,259
Building supplies & maint	200	102	98
Gasoline and oil	5,900	7,815	(1,915)
Vehicle maintenance	2,000	2,039	(39)
Equipment, supplies & tools	4,634	2,208	2,426
Operating equipment	4,000	3,226	774
Street repair material	27,000	13,821	13,179
Chemicals and paint	1,000	241	759
Street sweeping	3,000	3,000	-
Street signs	4,000	1,270	2,730
Signal lights	2,000	720	1,280
Parks maintenance	5,000	582	4,418
Uniforms	1,600	1,456	144
Memberships, subscriptions and publications	500	76	424
Travel and training	2,000	489	1,511
Power and light	74,500	103,227	(28,727)
Natural gas	650	781	(131)
Telephone	1,400	1,806	(406)
Insurance	13,817	13,369	448
Water system improvements	-	-	-
Curb construction and maintenance	168,644	168,643	1
Landscape maintenance	72,000	72,418	(418)
Total street department	527,937	510,250	17,687
Culture - Recreation:			
Library:			
Salaries	163,534	166,358	(2,824)
Payroll tax	12,780	13,625	(845)
Retirement	23,467	26,384	(2,917)
Employee insurance	11,587	11,587	-
Contract labor	8,783	8,807	(24)
Supplies	6,402	5,991	411
Printing	1,000	958	42
Board functions	400	-	400
Minor office equipment	-	-	-
Building maintenance	3,234	7,684	(4,450)
Equipment maintenance	17,947	22,247	(4,300)
Binding	100	-	100
Memberships, subscriptions and publications	944	743	201
Travel and training	2,895	2,060	835
Power and light	12,967	14,568	(1,601)
Natural gas	810	620	190
Telephone	5,561	4,880	681
Insurance	6,583	5,800	783
Books, periodicals & audio	50,094	36,602	13,492
Capital outlay	549	549	-
Total library	329,637	329,463	174

2009		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 91,425	\$ 95,827	\$ (4,402)
7,012	7,510	(498)
11,744	12,559	(815)
15,463	15,463	-
300	-	300
450	31	419
2,400	699	1,701
450	125	325
7,300	6,052	1,248
3,500	1,543	1,957
6,343	2,232	4,111
4,500	3,777	723
28,000	10,755	17,245
1,200	1,003	197
3,000	179	2,821
6,000	819	5,181
2,000	1,624	376
8,000	7,090	910
2,000	1,360	640
500	76	424
2,000	311	1,689
74,500	108,492	(33,992)
650	576	74
1,400	1,654	(254)
13,264	16,194	(2,930)
71,462	71,462	-
321,133	236,264	84,869
65,000	52,756	12,244
<u>750,996</u>	<u>656,433</u>	<u>94,563</u>
159,793	149,436	10,357
12,818	11,279	1,539
21,380	21,071	309
10,309	10,309	-
3,210	1,974	1,236
5,130	3,837	1,293
1,000	649	351
500	76	424
482	482	-
3,234	4,842	(1,608)
17,868	18,838	(970)
100	-	100
883	880	3
3,100	767	2,333
12,967	14,417	(1,450)
810	677	133
5,561	4,316	1,245
6,404	6,747	(343)
46,519	33,562	12,957
15,122	9,463	5,659
<u>327,190</u>	<u>293,622</u>	<u>33,568</u>

CITY OF RICHLAND HILLS, TEXAS
 General Fund Comparative Schedule of Revenues
 Expenditures and Changes in Fund Balance - Budget and Actual
 For the Fiscal Years Ended September 30, 2010 and 2009

	2010		Variance Favorable (Unfavorable)
	Budget	Actual	
Community center:			
Salaries	\$ 15,185	\$ 15,257	\$ (72)
Payroll tax	1,261	1,364	(103)
Retirement	2,179	2,427	(248)
Contract labor	4,900	3,820	1,080
Supplies	250	433	(183)
Printing	200	-	200
Building & equip maintenance	2,100	5,117	(3,017)
Memberships	90	-	90
Travel and training	-	130	(130)
Power and light	4,707	5,298	(591)
Natural gas	900	776	124
Telephone	1,300	752	548
Insurance	1,766	1,561	205
Total community center	34,838	36,935	(2,097)
Parks and beautification:			
Windmill park improvements	500	-	500
City complex beautification	1,000	-	1,000
Miscellaneous expense	-	133	(133)
Highway, street & media	500	-	500
Holiday expense	2,500	1,700	800
Rosebud Park improvements	750	-	750
Creek Trail Park improvements	4,000	2,423	1,577
Kate Baker Park improvements	750	-	750
Contingency	-	-	-
Total park and beautification	10,000	4,256	5,744
Economic Development & Assistance:			
Economic development:			
Salaries	14,167	17,397	(3,230)
Payroll tax	4,773	4,704	69
Retirement	8,859	9,482	(623)
Employee insurance	5,794	5,794	-
Office Supplies	1,200	898	302
Supplies	600	-	600
Printing	-	282	(282)
Building & equip maintenance	-	673	(673)
Memberships, subscriptions and publications	4,200	1,917	2,283
Travel and training	7,500	7,642	(142)
Telephone	780	723	57
Economic development advisory board	-	-	-
Promotions/retentions/special events	9,338	7,208	2,130
Baker Blvd TIF	-	-	-
COG Planning match	-	-	-
Total economic development	57,211	56,720	491

2009		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 14,910	\$ 15,010	\$ (100)
1,240	1,185	55
1,995	2,123	(128)
4,900	3,923	977
150	-	150
300	-	300
2,100	2,579	(479)
90	-	90
-	-	-
4,707	6,287	(1,580)
900	640	260
1,300	1,037	263
1,730	1,823	(93)
<u>34,322</u>	<u>34,607</u>	<u>(285)</u>
500	-	500
750	-	750
-	97	(97)
5,000	8,251	(3,251)
6,000	6,457	(457)
2,000	-	2,000
3,500	-	3,500
62,000	1,200	60,800
2,150	-	2,150
<u>81,900</u>	<u>16,005</u>	<u>65,895</u>
10,549	9,570	979
4,349	3,271	1078.00
7,433	6,048	1,385
5,154	3,435	1,719
-	2,830	(2,830)
-	-	-
-	-	-
-	1,820	(1,820)
-	1,252	(1,252)
-	15	(15)
-	655	(655)
-	51	(51)
10,000	11,358	(1,358)
37,500	37,500	-
50,000	-	50,000
<u>124,985</u>	<u>77,805</u>	<u>47,180</u>

CITY OF RICHLAND HILLS, TEXAS
 General Fund Comparative Schedule of Revenues
 Expenditures and Changes in Fund Balance - Budget and Actual
 For the Fiscal Years Ended September 30, 2010 and 2009

	2010		Variance Favorable (Unfavorable)
	Budget	Actual	
Capital Outlay:			
Building improvement	\$ 14,000	\$ -	\$ 14,000
Facilities improvement	15,240	15,240	-
Total capital outlay	<u>29,240</u>	<u>15,240</u>	<u>14,000</u>
TOTAL EXPENDITURES	<u>5,399,344</u>	<u>5,295,499</u>	<u>103,845</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(250,583)</u>	<u>(369,743)</u>	<u>(119,160)</u>
Other financing sources (uses):			
Proceeds from sale of general capital assets	29,057	20,728	(8,329)
Transfers in	112,707	28,661	(84,046)
Transfers out	(16,198)	(171,973)	(155,775)
Total other financing sources (uses)	<u>125,566</u>	<u>(122,584)</u>	<u>(248,150)</u>
Net change in fund balance	\$ (125,017)	\$ (492,327)	\$ (367,310)
Fund balance, October 1, 2009	<u>2,567,149</u>	<u>2,567,149</u>	<u>-</u>
Fund balance, September 30, 2010	<u>\$ 2,442,132</u>	<u>\$ 2,074,822</u>	<u>\$ (367,310)</u>

2009		
Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -
51,761	51,761	-
51,761	51,761	-
5,575,539	5,106,740	468,799
(613,350)	33,719	647,069
15,997	51,600	35,603
111,761	-	(111,761)
(16,198)	(401,311)	(385,113)
111,560	(349,711)	(461,271)
\$ (501,790)	\$ (315,992)	\$ 185,798
2,883,141	2,883,141	-
\$ 2,381,351	\$ 2,567,149	\$ 185,798

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects or Proprietary Funds) that are legally restricted to expenditures for specified purposes.

The **Richland Hills Development Corporation** is a blended component unit which accounts for the promotion of infrastructure improvements, parks and park facilities and economic development within the City and the State of Texas in order to eliminate unemployment and underemployment and to promote and encourage employment and the public welfare of, for and on behalf of the City.

The **Crime Control and Prevention District** is a blended component unit accounted for in a special revenue fund. The Crime District accounts for the proceeds of a .325 percent sales tax and crime reduction programs.

Red Light Camera Enforce Fund accounts for all revenues and expenditures related to red light cameras placed at intersections in the City.

The **Hotel Occupancy Tax Fund** accounts for the proceeds of a 7 percent hotel occupancy tax and expenditures related tourism.

DEBT SERVICE FUND

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

CAPITAL PROJECT FUNDS

The Capital Project Funds accounts for all resources used for the acquisition and/or construction of capital facilities by the City, except those financed by the Enterprise Funds.

The **Road and Street Fund** is used to account for intergovernmental revenue received from the Fort Worth Transportation Authority and improvements made to the City's infrastructure.

The **Equipment Replacement Fund** project is used to account for the purchase of equipment by the City which will be used to replace old equipment.

The **2001 Certificates of Obligations Fund** is used to account for the proceeds of the Certificates of Obligation and future expenditures for the Burns Road project.

The **Oil and Gas Lease Fund** is used to account for the proceeds of the oil and gas lease bonus and future expenditures for capital projects.

The **Capital Projects Fund** accounts for the purchase of equipment by the City.

CITY OF RICHLAND HILLS, TEXAS
 Nonmajor Funds
 Combining Balance Sheet
 September 30, 2010

	Special Revenue					
	Richland Hills Development Corporation	Crime Control District	Red Light Camera Enforce	Hotel Occupancy Tax	Total Special Revenue Funds	Debt Service
Assets:						
Cash	\$ 122,653	\$ 407,265	\$ -	\$ 23,220	\$ 553,138	\$ 133,148
Investments	399,899	-	-	-	399,899	-
Receivables (Net of allowances for uncollectibles)						
Property taxes, delinquent	-	-	-	-	-	24,646
Sales and use taxes	35,571	102,911	-	-	138,482	-
Fines receivable	-	-	20,109	-	20,109	-
Hotel tax receivable	-	-	-	7,889	7,889	-
Intergovernmental	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Due from other funds	-	-	239,682	-	239,682	3,610
Total assets	\$ 558,123	\$ 510,176	\$ 259,791	\$ 31,109	\$ 1,359,199	\$ 161,404
Liabilities and fund balance:						
Liabilities:						
Accounts payable and accrued liabilities	\$ -	\$ 62	\$ 43,525	\$ 3,944	\$ 47,531	\$ -
Due to other funds	9,883	45	-	5,436	15,364	1,916
Deferred revenue	18,695	56,548	-	-	75,243	24,647
Total liabilities	28,578	56,655	43,525	9,380	138,138	26,563
Fund Balance:						
Reserved for debt service	-	-	-	-	-	134,841
Reserved for traffic safety programs	-	-	216,266	-	216,266	-
Unreserved:						
Designated for capital improvements	529,545	-	-	-	529,545	-
Unreserved, undesignated	-	453,521	-	21,729	475,250	-
Total equity	529,545	453,521	216,266	21,729	1,221,061	134,841
Total liabilities and fund balances	\$ 558,123	\$ 510,176	\$ 259,791	\$ 31,109	\$ 1,359,199	\$ 161,404

Capital Projects							Total	Total
Road and Street	Equipment Replacement	2001 Certificates of Obligation	Oil & Gas Lease	Capital Projects	Total Capital Projects Funds		Nonmajor Funds	
\$ 13,028	\$ -	\$ 68,126	\$ 222,957	\$ -	\$ 304,111	\$	\$ 990,397	
-	-	-	299,923	-	299,923		699,822	
-	-	-	-	-	-		24,646	
-	-	-	-	-	-		138,482	
-	-	-	-	-	-		20,109	
-	-	-	-	-	-		7,889	
-	-	-	-	23,425	23,425		23,425	
-	-	-	4,608	-	4,608		4,608	
-	-	-	31,169	-	31,169		274,461	
<u>\$ 13,028</u>	<u>\$ -</u>	<u>\$ 68,126</u>	<u>\$ 558,657</u>	<u>\$ 23,425</u>	<u>\$ 663,236</u>	<u>\$</u>	<u>\$ 2,183,839</u>	
\$ -	\$ -	\$ -	\$ 110,541	\$ -	\$ 110,541	\$	\$ 158,072	
22	-	264	-	-	286		17,566	
-	-	-	-	-	-		99,890	
<u>22</u>	<u>-</u>	<u>264</u>	<u>110,541</u>	<u>-</u>	<u>110,827</u>		<u>275,528</u>	
-	-	-	-	-	-		134,841	
-	-	-	-	-	-		216,266	
13,006	-	67,862	448,116	23,425	552,409		1,081,954	
-	-	-	-	-	-		475,250	
<u>13,006</u>	<u>-</u>	<u>67,862</u>	<u>448,116</u>	<u>23,425</u>	<u>552,409</u>		<u>1,908,311</u>	
<u>\$ 13,028</u>	<u>\$ -</u>	<u>\$ 68,126</u>	<u>\$ 558,657</u>	<u>\$ 23,425</u>	<u>\$ 663,236</u>	<u>\$</u>	<u>\$ 2,183,839</u>	

CITY OF RICHLAND HILLS, TEXAS
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Fiscal Year Ended September 30, 2010

	Special Revenue					Debt Service
	Richland Hills Development Corporation	Crime Control District	Red Light Camera Enforce	Hotel Occupancy Tax	Total Special Revenue Funds	
Revenues:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 198,599
Sales and use	187,089	511,103	-	-	698,192	-
Hotel occupancy tax	-	-	-	121,561	121,561	-
Fines and fees	-	-	326,164	-	326,164	-
Intergovernmental	-	-	-	-	-	-
Interest	495	749	-	60	1,304	203
Other revenue	-	-	-	-	-	-
Total revenue	187,584	511,852	326,164	121,621	1,147,221	198,802
Expenditures:						
Current:						
General government	57,499	-	-	-	57,499	-
Police	-	513,109	-	-	513,109	-
Traffic safety	-	-	386,093	-	386,093	-
Tourism	-	-	-	83,427	83,427	-
Capital Outlay	9,795	-	-	-	9,795	-
Debt Service	-	-	-	-	-	251,000
Principal Interest	-	-	-	-	-	71,249
Total expenditures	67,294	513,109	386,093	83,427	1,049,923	322,249
Excess (deficiency) of revenues over (under) expenditures	120,290	(1,257)	(59,929)	38,194	97,298	(123,447)
Other financing sources (uses):						
Transfers in	9,600	-	-	-	9,600	126,077
Transfers out	(126,077)	-	-	(38,214)	(164,291)	-
Total other financing sources (uses):	(116,477)	-	-	(38,214)	(154,691)	126,077
Net change in fund balances	3,813	(1,257)	(59,929)	(20)	(57,393)	2,630
Fund Balance, October 1, 2009	525,732	454,778	276,195	21,749	1,278,454	132,211
Fund Balance, September 30, 2010	\$ 529,545	\$ 453,521	\$ 216,266	\$ 21,729	\$ 1,221,061	\$ 134,841

Capital Projects						
Road and Street	Equipment Replacement	2001 Certificates of Obligation	Oil & Gas Lease	Capital Projects	Total Capital Projects Funds	Total Nonmajor Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 198,599
-	-	-	-	-	-	698,192
-	-	-	-	-	-	121,561
-	-	-	-	-	-	326,164
132,669	-	-	-	23,425	156,094	156,094
317	3	106	759	-	1,185	2,692
-	-	-	94,736	-	94,736	94,736
<u>132,986</u>	<u>3</u>	<u>106</u>	<u>95,495</u>	<u>23,425</u>	<u>252,015</u>	<u>1,598,038</u>
-	-	-	-	-	-	57,499
-	-	-	-	-	-	513,109
-	-	-	-	-	-	386,093
-	-	-	-	-	-	83,427
253,804	-	288	478,896	155,775	888,763	898,558
-	-	-	-	-	-	251,000
-	-	-	-	-	-	71,249
<u>253,804</u>	<u>-</u>	<u>288</u>	<u>478,896</u>	<u>155,775</u>	<u>888,763</u>	<u>2,260,935</u>
<u>(120,818)</u>	<u>3</u>	<u>(182)</u>	<u>(383,401)</u>	<u>(132,350)</u>	<u>(636,748)</u>	<u>(662,897)</u>
-	-	-	-	155,775	155,775	291,452
-	(47)	-	-	-	(47)	(164,338)
-	(47)	-	-	155,775	155,728	127,114
(120,818)	(44)	(182)	(383,401)	23,425	(481,020)	(535,783)
133,824	44	68,044	831,517	-	1,033,429	2,444,094
<u>\$ 13,006</u>	<u>\$ -</u>	<u>\$ 67,862</u>	<u>\$ 448,116</u>	<u>\$ 23,425</u>	<u>\$ 552,409</u>	<u>\$ 1,908,311</u>

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SPECIAL REVENUE FUNDS

CITY OF RICHLAND HILLS, TEXAS
 Richland Hills Development Corporation
 Special Revenue Fund
 Comparative Balance Sheets
 September 30, 2010 and 2009

EXHIBIT H-1

ASSETS	<u>2010</u>	<u>2009</u>
Assets:		
Cash and cash equivalents	\$ 122,653	\$ 122,098
Investments	399,899	399,960
Sales and use taxes receivable	35,571	15,798
Accrued interest	-	-
Total assets and other debits	<u>\$ 558,123</u>	<u>\$ 537,856</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ -	\$ 52
Due to other funds	9,883	12,072
Deferred revenue	18,695	-
Total Liabilities	<u>28,578</u>	<u>12,124</u>
 Fund Balances:		
Unreserved:		
Designated for capital improvements	<u>529,545</u>	<u>525,732</u>
Total liabilities and fund balances	<u>\$ 558,123</u>	<u>\$ 537,856</u>

CITY OF RICHLAND HILLS, TEXAS
 Richland Hills Development Corporation - Special Revenue Fund
 Comparative Statements of Revenues, Expenditures and Changes in Fund Balance
 For the Fiscal Years Ended September 30, 2010 and 2009

EXHIBIT H-2

	2010	2009
REVENUES:		
Sales and use tax	\$ 187,089	\$ 190,158
Interest income	495	1,855
	187,584	192,013
Total revenues		
EXPENDITURES:		
Current		
General government	57,499	56,383
Capital Outlay	9,795	145,800
	67,294	202,183
Total expenditures		
Excess (deficiency) of revenue over (under) expenditures	120,290	(10,170)
Other financing sources (uses):		
Transfers in	9,600	-
Transfers out	(126,077)	(125,774)
Total other financing sources (uses)	(116,477)	(125,774)
Net change in fund balance	3,813	(135,944)
Fund balance, October 1, 2009	525,732	661,676
Fund balance, September 30, 2010	\$ 529,545	\$ 525,732

CITY OF RICHLAND HILLS, TEXAS
 Richland Hills Development Corporation - Special Revenue Fund
 Comparative Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 For the Fiscal Years Ended September 30, 2010 and 2009

	2010		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Sales tax revenue	\$ 189,684	\$ 187,089	\$ (2,595)
Interest income	1,315	495	(820)
Total revenues	<u>190,999</u>	<u>187,584</u>	<u>(3,415)</u>
Expenditures:			
Current			
General government	68,136	57,499	10,637
Street and highways	450,000	-	450,000
Capital Outlay	<u>58,000</u>	<u>9,795</u>	<u>48,205</u>
Total expenditures	<u>576,136</u>	<u>67,294</u>	<u>508,842</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(385,137)</u>	<u>120,290</u>	<u>505,427</u>
Other financing sources (uses):			
Transfers out	<u>(113,263)</u>	<u>(116,477)</u>	<u>(3,214)</u>
Net change in fund balance	(498,400)	3,813	502,213
Fund balance, October 1, 2009	<u>525,732</u>	<u>525,732</u>	-
Fund balance, September 30, 2010	<u>\$ 27,332</u>	<u>\$ 529,545</u>	<u>\$ 502,213</u>

2009		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 176,312	\$ 190,158	\$ 13,846
5,525	1,855	(3,670)
<u>181,837</u>	<u>192,013</u>	<u>10,176</u>
55,000	56,383	(1,383)
450,000	-	450,000
<u>58,000</u>	<u>145,800</u>	<u>(87,800)</u>
<u>563,000</u>	<u>202,183</u>	<u>360,817</u>
<u>(381,163)</u>	<u>(10,170)</u>	<u>370,993</u>
<u>(122,863)</u>	<u>(125,774)</u>	<u>(2,911)</u>
(504,026)	(135,944)	368,082
<u>661,676</u>	<u>661,676</u>	<u>-</u>
<u>\$ 157,650</u>	<u>\$ 525,732</u>	<u>\$ 368,082</u>

CITY OF RICHLAND HILLS, TEXAS
 Crime Control District
 Special Revenue Fund
 Comparative Balance Sheets
 September 30, 2010 and 2009

EXHIBIT H-4

ASSETS	<u>2010</u>	<u>2009</u>
Assets:		
Cash and cash equivalents	\$ 407,265	\$ 448,994
Sales and use taxes receivable	<u>102,911</u>	<u>44,313</u>
Total assets and other debits	<u>\$ 510,176</u>	<u>\$ 493,307</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	\$ 62	\$ 169
Due to other funds	45	38,360
Deferred revenue	<u>56,548</u>	<u>-</u>
Total Liabilities	<u>56,655</u>	<u>38,529</u>
 Fund Balances:		
Unreserved, undesignated	<u>453,521</u>	<u>454,778</u>
Total liabilities and fund balances	<u>\$ 510,176</u>	<u>\$ 493,307</u>

CITY OF RICHLAND HILLS, TEXAS

EXHIBIT H-5

Crime Control District

Special Revenue Fund

Comparative Statements of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
REVENUES:		
Sales and use tax	\$ 511,103	\$ 541,144
Interest income	749	752
	<u>511,852</u>	<u>541,896</u>
EXPENDITURES:		
Current		
Police	<u>513,109</u>	<u>466,948</u>
	<u>513,109</u>	<u>466,948</u>
Net change in fund balance	(1,257)	74,948
Fund balance, October 1, 2009	<u>454,778</u>	<u>379,830</u>
Fund balance, September 30, 2010	<u>\$ 453,521</u>	<u>\$ 454,778</u>

CITY OF RICHLAND HILLS, TEXAS
 Crime Control District - Special Revenue Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 For the Fiscal Years Ended September 30, 2010 and 2009

	2010		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Sales tax revenue	\$ 553,605	\$ 511,103	\$ (42,502)
Interest	900	749	(151)
Total revenues	<u>554,505</u>	<u>511,852</u>	<u>(42,653)</u>
Expenditures:			
Current			
Police	<u>506,925</u>	<u>513,109</u>	<u>(6,184)</u>
Total expenditures	<u>506,925</u>	<u>513,109</u>	<u>(6,184)</u>
Net change in fund balance	47,580	(1,257)	(48,837)
Fund balance, October 1, 2009	<u>454,778</u>	<u>454,778</u>	-
Fund balance, September 30, 2010	<u>\$ 502,358</u>	<u>\$ 453,521</u>	<u>\$ (48,837)</u>

2009		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 454,706	\$ 541,144	\$ 86,438
-	752	752
<u>454,706</u>	<u>541,896</u>	<u>87,190</u>
<u>498,189</u>	<u>466,948</u>	<u>31,241</u>
<u>498,189</u>	<u>466,948</u>	<u>31,241</u>
(43,483)	74,948	118,431
<u>379,830</u>	<u>379,830</u>	<u>-</u>
<u>\$ 336,347</u>	<u>\$ 454,778</u>	<u>\$ 118,431</u>

CITY OF RICHLAND HILLS, TEXAS
 Red Light Camera Enforce
 Special Revenue Fund
 Comparative Balance Sheets
 September 30, 2010 and 2009

EXHIBIT H-7

ASSETS	<u>2010</u>	<u>2009</u>
Assets:		
Fines receivable	\$ 20,109	\$ 20,109
Due from other funds	<u>239,682</u>	<u>287,305</u>
Total assets and other debits	<u>\$ 259,791</u>	<u>\$ 307,414</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	<u>\$ 43,525</u>	<u>\$ 31,219</u>
Total Liabilities	<u>43,525</u>	<u>31,219</u>
 Fund Balances:		
Reserved for traffice safety programs	<u>216,266</u>	<u>276,195</u>
Total liabilities and fund balances	<u>\$ 259,791</u>	<u>\$ 307,414</u>

CITY OF RICHLAND HILLS, TEXAS

EXHIBIT H-8

Red Light Camera Enforce

Special Revenue Fund

Comparative Statements of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
REVENUES:		
Fines and fees	\$ 326,164	\$ 168,079
Total revenues	<u>326,164</u>	<u>168,079</u>
EXPENDITURES:		
Current		
Traffic Safety	<u>386,093</u>	<u>195,148</u>
Total expenditures	<u>386,093</u>	<u>195,148</u>
Net change in fund balance	(59,929)	(27,069)
Fund balance, October 1, 2009	<u>276,195</u>	<u>303,264</u>
Fund balance, September 30, 2010	<u>\$ 216,266</u>	<u>\$ 276,195</u>

CITY OF RICHLAND HILLS, TEXAS
 Red Light Camera Enforce - Special Revenue Fund
 Comparative Schedules of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 For the Fiscal Years Ended September 30, 2010 and 2009

	2010		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Fines and fees	\$ 155,352	\$ 326,164	\$ 170,812
Total revenues	<u>155,352</u>	<u>326,164</u>	<u>170,812</u>
Expenditures:			
Current			
Traffic Safety	<u>426,858</u>	<u>386,093</u>	<u>40,765</u>
Total expenditures	<u>426,858</u>	<u>386,093</u>	<u>40,765</u>
Net change in fund balance	(271,506)	(59,929)	211,577
Fund balance, October 1, 2009	<u>276,195</u>	<u>276,195</u>	-
Fund balance, September 30, 2010	<u>\$ 4,689</u>	<u>\$ 216,266</u>	<u>\$ 211,577</u>

2009		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 366,498	\$ 168,079	\$ (198,419)
<u>366,498</u>	<u>168,079</u>	<u>(198,419)</u>
<u>321,133</u>	<u>195,148</u>	<u>125,985</u>
<u>321,133</u>	<u>195,148</u>	<u>125,985</u>
45,365	(27,069)	(72,434)
<u>303,264</u>	<u>303,264</u>	<u>-</u>
<u>\$ 348,629</u>	<u>\$ 276,195</u>	<u>\$ (72,434)</u>

CITY OF RICHLAND HILLS, TEXAS

EXHIBIT H-10

Hotel Occupancy Tax
Special Revenue Fund
Comparative Balance Sheets
September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Assets:		
Cash and cash equivalents	\$ 23,220	\$ 25,646
Hotel tax receivable	<u>7,889</u>	<u>9,121</u>
Total assets and other debits	<u>\$ 31,109</u>	<u>\$ 34,767</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	\$ 3,944	\$ 4,560
Due to other funds	<u>5,436</u>	<u>8,458</u>
Total Liabilities	<u>9,380</u>	<u>13,018</u>
Fund Balances:		
Unreserved, undesignated	<u>21,729</u>	<u>21,749</u>
Total liabilities and fund balances	<u>\$ 31,109</u>	<u>\$ 34,767</u>

CITY OF RICHLAND HILLS, TEXAS

EXHIBIT H-11

Hotel Occupancy Tax

Special Revenue Fund

Comparative Statements of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
REVENUES:		
Hotel occupancy tax	\$ 121,561	\$ 52,079
Interest income	60	9
	<u>121,621</u>	<u>52,088</u>
Total revenues	121,621	52,088
EXPENDITURES:		
Current		
Tourism	83,427	30,339
	<u>83,427</u>	<u>30,339</u>
Total expenditures	83,427	30,339
Excess (deficiency) of revenue over (under) expenditures	38,194	21,749
Other financing sources (uses):		
Transfers out	(38,214)	-
Total other financing sources (uses)	<u>(38,214)</u>	<u>-</u>
Net change in fund balance	(20)	21,749
Fund balance, October 1, 2009	<u>21,749</u>	<u>-</u>
Fund balance, September 30, 2010	<u>\$ 21,729</u>	<u>\$ 21,749</u>

CITY OF RICHLAND HILLS, TEXAS
 Hotel Occupancy Tax - Special Revenue Fund
 Comparative Schedules of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 For the Fiscal Years Ended September 30, 2010 and 2009

	2010		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Hotel occupancy tax	\$ 126,358	\$ 121,561	\$ (4,797)
Interest income	882	60	(822)
Total revenues	<u>127,240</u>	<u>121,621</u>	<u>(5,619)</u>
Expenditures:			
Current			
Tourism	<u>99,025</u>	<u>83,427</u>	<u>15,598</u>
Total expenditures	<u>99,025</u>	<u>83,427</u>	<u>15,598</u>
Excess (deficiency) of revenues over (under) expenditures	<u>28,215</u>	<u>38,194</u>	<u>9,979</u>
Other financing sources (uses):			
Transfers out	(38,214)	(38,214)	-
Net change in fund balance	(9,999)	(20)	9,979
Fund balance, October 1, 2009	<u>21,749</u>	<u>21,749</u>	-
Fund balance, September 30, 2010	<u>\$ 11,750</u>	<u>\$ 21,729</u>	<u>\$ 9,979</u>

2009		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 97,917	\$ 52,079	\$ (45,838)
<u>250</u>	<u>9</u>	<u>(241)</u>
<u>98,167</u>	<u>52,088</u>	<u>(46,079)</u>
<u>75,000</u>	<u>30,339</u>	<u>(44,661)</u>
<u>75,000</u>	<u>30,339</u>	<u>(44,661)</u>
<u>23,167</u>	<u>21,749</u>	<u>(1,418)</u>
23,167	21,749	(1,418)
-	-	-
<u>\$ 23,167</u>	<u>\$ 21,749</u>	<u>\$ (1,418)</u>

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DEBT SERVICE FUNDS

CITY OF RICHLAND HILLS, TEXAS
Debt Service Fund
Comparative Balance Sheets
September 30, 2010 and 2009

EXHIBIT I-1

	2010	2009
ASSETS		
Assets:		
Cash and cash equivalents	\$ 133,148	\$ 132,904
Receivables (Net of allowances for uncollectibles)		
Property taxes, delinquent	24,646	9,576
Due from other funds	3,610	-
 Total assets	\$ 161,404	\$ 142,480
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Due to other funds	\$ 1,916	\$ 693
Deferred revenue	24,647	9,576
 Total liabilities	26,563	10,269
Fund balances:		
Reserved for debt service	134,841	132,211
 Total liabilities and fund balances	\$ 161,404	\$ 142,480

CITY OF RICHLAND HILLS, TEXAS

EXHIBIT I-2

Debt Service Fund

Comparative Statements of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Revenues:		
Property taxes	\$ 198,599	\$ 227,533
Interest income	203	245
	<u>198,802</u>	<u>227,778</u>
Expenditures:		
Debt Service:		
Principal	251,000	242,000
Interest and fiscal charges	71,249	79,663
	<u>322,249</u>	<u>321,663</u>
Excess (deficiency) of revenues over (under) expenditures:	(123,447)	(93,885)
Other financing sources (uses):		
Transfers in	<u>126,077</u>	<u>125,774</u>
Total other financing sources (uses)	126,077	125,774
Net change in fund balance	2,630	31,889
Fund Balance, October 1, 2009	<u>132,211</u>	<u>100,322</u>
Fund Balance, September 30, 2010	<u>\$ 134,841</u>	<u>\$ 132,211</u>

CITY OF RICHLAND HILLS, TEXAS
 Debt Service Fund
 Comparative Schedules of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual
 For the Fiscal Years Ended September 30, 2010 and 2009

	2010		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Property taxes	\$ 197,656	\$ 198,599	\$ 943
Interest income	205	203	(2)
Total revenues	<u>197,861</u>	<u>198,802</u>	<u>941</u>
Expenditures:			
Debt Service:			
Principal	251,000	251,000	-
Interest and fiscal charges	<u>71,407</u>	<u>71,249</u>	<u>158</u>
Total expenditures	<u>322,407</u>	<u>322,249</u>	<u>158</u>
Excess (deficiency) of revenues over (under) expenditures:	<u>(124,546)</u>	<u>(123,447)</u>	<u>1,099</u>
Other financing sources (uses):			
Transfers in	<u>126,077</u>	<u>126,077</u>	<u>-</u>
Net change in fund balance	1,531	2,630	1,099
Fund Balance, October 1, 2009	<u>132,211</u>	<u>132,211</u>	<u>-</u>
Fund Balance, September 30, 2010	<u>\$ 133,742</u>	<u>\$ 134,841</u>	<u>\$ 1,099</u>

2009		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 200,515	\$ 227,533	\$ 27,018
2,917	245	(2,672)
<u>203,432</u>	<u>227,778</u>	<u>24,346</u>
242,000	242,000	-
79,765	79,663	102
<u>321,765</u>	<u>321,663</u>	<u>102</u>
(118,333)	(93,885)	24,448
124,690	125,774	1,084
6,357	31,889	25,532
<u>100,322</u>	<u>100,322</u>	-
<u>\$ 106,679</u>	<u>\$ 132,211</u>	<u>\$ 25,532</u>

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CAPITAL PROJECTS FUNDS

CITY OF RICHLAND HILLS, TEXAS
 Road and Street - Capital Projects Fund
 Comparative Schedules of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual
 For the Fiscal Years Ended September 30, 2010 and 2009

	2010		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$ 85,912	\$ 132,669	\$ 46,757
Interest	48	317	269
Total revenues	<u>85,960</u>	<u>132,986</u>	<u>47,026</u>
Expenditures:			
Capital outlay	<u>253,782</u>	<u>253,804</u>	<u>(22)</u>
Total expenditures	<u>253,782</u>	<u>253,804</u>	<u>(22)</u>
Net change in fund balance	(167,822)	(120,818)	47,004
Fund Balance, October 1, 2009	<u>133,824</u>	<u>133,824</u>	-
Fund Balance, September 30, 2010	<u>\$ (33,998)</u>	<u>\$ 13,006</u>	<u>\$ 47,004</u>

2009		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 85,912	\$ 113,320	\$ 27,408
<u>2,147</u>	<u>149</u>	<u>(1,998)</u>
88,059	113,469	25,410
<u>85,912</u>	<u>168</u>	<u>85,744</u>
<u>85,912</u>	<u>168</u>	<u>85,744</u>
2,147	113,301	111,154
<u>20,523</u>	<u>20,523</u>	<u>-</u>
<u>\$ 22,670</u>	<u>\$ 133,824</u>	<u>\$ 111,154</u>

CITY OF RICHLAND HILLS, TEXAS
 Equipment Replacement - Capital Projects Fund
 Comparative Schedules of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual
 For the Fiscal Years Ended September 30, 2010 and 2009

	2010		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$ -	\$ -	\$ -
Interest	-	3	3
Total revenues	-	3	3
Expenditures:			
Capital outlay	-	-	-
Total expenditures	-	-	-
Excess (deficiency) of revenues over (under) expenditures:	-	3	3
Other financing sources (uses):			
Transfers out	-	(47)	(47)
Total other financing sources (uses)	-	(47)	(47)
Net change in fund balance	-	(44)	(44)
Fund Balance, October 1, 2009	44	44	-
Fund Balance, September 30, 2010	\$ 44	\$ -	\$ (44)

2009		
Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -
<u>-</u>	<u>7</u>	<u>7</u>
-	7	7
<u>135,114</u>	<u>135,113</u>	<u>1</u>
<u>135,114</u>	<u>135,113</u>	<u>1</u>
<u>(135,114)</u>	<u>(135,106)</u>	<u>8</u>
<u>135,114</u>	<u>135,113</u>	<u>(1)</u>
<u>135,114</u>	<u>135,113</u>	<u>(1)</u>
-	7	7
<u>37</u>	<u>37</u>	<u>-</u>
<u>\$ 37</u>	<u>\$ 44</u>	<u>\$ 7</u>

CITY OF RICHLAND HILLS, TEXAS
 2001 Certificates of Obligation - Capital Projects Fund
 Comparative Schedules of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual
 For the Fiscal Years Ended September 30, 2010 and 2009

	2010		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Interest	\$ 50	\$ 106	\$ 56
Total revenues	50	106	56
Expenditures:			
Capital outlay	68,078	288	67,790
Total expenditures	68,078	288	67,790
Net change in fund balance	(68,028)	(182)	67,846
Fund Balance, October 1, 2009	68,044	68,044	-
Fund Balance, September 30, 2010	\$ 16	\$ 67,862	\$ 67,846

2009		
Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ 119	\$ 119
-	119	119
125	158	(33)
125	158	(33)
(125)	(39)	86
68,083	68,083	-
\$ <u>67,958</u>	\$ <u>68,044</u>	\$ <u>86</u>

CITY OF RICHLAND HILLS, TEXAS
Oil and Gas Lease - Capital Projects Fund
Comparative Schedules of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Years Ended September 30, 2010 and 2009

	2010		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Interest	\$ 1,400	\$ 759	\$ (641)
Other Revenue	200,000	94,736	(105,264)
Total revenues	201,400	95,495	(105,905)
Expenditures:			
Capital outlay	1,075,000	478,896	596,104
Total expenditures	1,075,000	478,896	596,104
Net change in fund balance	(873,600)	(383,401)	490,199
Fund Balance, October 1, 2009	831,517	831,517	-
Fund Balance, September 30, 2010	\$ (42,083)	\$ 448,116	\$ 490,199

2009		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 2,500	\$ 432	\$ (2,068)
<u>100,000</u>	<u>850,368</u>	<u>750,368</u>
<u>102,500</u>	<u>850,800</u>	<u>748,300</u>
<u>105,536</u>	<u>139,993</u>	<u>(34,457)</u>
<u>105,536</u>	<u>139,993</u>	<u>(34,457)</u>
(3,036)	710,807	713,843
<u>120,710</u>	<u>120,710</u>	<u>-</u>
<u>\$ 117,674</u>	<u>\$ 831,517</u>	<u>\$ 713,843</u>

CITY OF RICHLAND HILLS, TEXAS
 Capital Projects Fund
 Comparative Schedules of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 For the Fiscal Years Ended September 30, 2010 and 2009

	2010		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$ -	\$ 23,425	\$ 23,425
Total revenues	-	23,425	23,425
Expenditures:			
Capital outlay	130,307	155,775	(25,468)
Total expenditures	130,307	155,775	(25,468)
Excess (deficiency) of revenues over (under) expenditures:	(130,307)	(132,350)	(2,043)
Other financing sources (uses):			
Transfers in	113,735	155,775	42,040
Total other financing sources (uses)	113,735	155,775	42,040
Net change in fund balance	(16,572)	23,425	39,997
Fund Balance, October 1, 2009	-	-	-
Fund Balance, September 30, 2010	\$ (16,572)	\$ 23,425	\$ 39,997

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ENTERPRISE FUNDS

Enterprise Funds are used to account for the acquisition, operation and maintenance of governmental facilities and services which are entirely or predominantly self-supported by user charges. The operations of the Enterprise Funds are accounted for in such a manner as to show a profit or loss similar to comparable private enterprises. The following activities of the City are reported as enterprise funds.

The **Water and Sewer Fund** is used to account for the operation of the water and sewage systems for the City. This Fund's operations and debt retirements are financed by service charges to users.

The **Drainage Utility Fund** is used to account for the construction and maintenance of the drainage system for the city. This Fund's operations are financed by service charges to users.

CITY OF RICHLAND HILLS, TEXAS
Water and Sewer Fund
Comparative Statements of Net Assets
September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS:		
Current Assets:		
Cash and cash equivalents	\$ -	\$ 3,850
Investments	241,777	476,219
Receivables (Net of allowance for uncollectibles):		
Accounts	646,244	548,426
Supplies inventory	12,990	12,990
Restricted Assets:		
Cash and cash equivalents	338,308	620,172
Investments	<u>834,269</u>	<u>1,099,443</u>
 Total current assets	 <u>2,073,588</u>	 <u>2,761,100</u>
Noncurrent Assets:		
Deferred Charges	<u>140,437</u>	<u>153,082</u>
Capital assets, at cost:		
Land	207,267	207,267
Construction in progress	-	497,446
Buildings	193,430	193,430
Improvements other than buildings	27,692	27,692
Waterworks and sewer system	16,248,492	15,189,004
Equipment	<u>995,386</u>	<u>966,894</u>
	17,672,267	17,081,733
Less: accumulated depreciation	<u>(6,447,910)</u>	<u>(6,004,094)</u>
 Capital assets, net	 <u>11,224,357</u>	 <u>11,077,639</u>
 Total noncurrent assets	 <u>11,364,794</u>	 <u>11,230,721</u>
 Total assets	 <u>\$ 13,438,382</u>	 <u>\$ 13,991,821</u>

	<u>2010</u>	<u>2009</u>
LIABILITIES:		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 267,093	\$ 257,700
Note payable - wastewater charges	322,451	-
Compensated absences	36,825	27,814
Due to other funds	231,509	325,711
Current Liabilities Payable from Restricted Assets:		
Current portion of revenue bonds payable	439,741	417,814
Interest payable	37,878	44,442
Due to other funds	36,130	213,750
Customer deposits payable	98,675	95,271
Total current liabilities	<u>1,470,302</u>	<u>1,382,502</u>
Noncurrent Liabilities:		
Due to other funds	876,262	621,416
Note payable - wastewater charges	52,701	-
Compensated absences	47,805	56,816
Net pension obligation	40,594	16,820
Capital leases payable	255,780	300,522
Revenue bonds payable	5,000,000	5,395,000
Total noncurrent liabilities	<u>6,273,142</u>	<u>6,390,574</u>
Total liabilities	<u>7,743,444</u>	<u>7,773,076</u>
NET ASSETS:		
Investment in capital assets, net of debt	5,728,436	5,724,425
Restricted for debt service (Expendable)	1,212,169	1,039,337
Unrestricted	(1,245,667)	(545,017)
Total net assets	<u>\$ 5,694,938</u>	<u>\$ 6,218,745</u>

Water and Sewer Fund

Comparative Statements of Revenues, Expenses and Changes in Fund Net Assets
For the Fiscal Years Ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Charges for sales and services:		
Water sales	\$ 1,686,199	\$ 1,702,391
Sewer charges	1,103,648	937,407
Late payment fee	88,697	94,322
Waste disposal fee	71,391	70,644
Billing charges	335,278	337,295
Miscellaneous	28,719	25,068
	<u>3,313,932</u>	<u>3,167,127</u>
Operating expenses:		
Administration	891,305	822,083
Operations	2,266,707	2,043,106
Depreciation	438,465	416,159
	<u>3,596,477</u>	<u>3,281,348</u>
Total operating expenses	<u>3,596,477</u>	<u>3,281,348</u>
Operating income (loss)	<u>(282,545)</u>	<u>(114,221)</u>
Nonoperating revenues (expenses):		
Interest revenue	2,534	8,690
Bond interest expense	(247,350)	(270,430)
Amortization of bond issuance costs	(12,644)	(12,644)
	<u>(257,460)</u>	<u>(274,384)</u>
Total nonoperating revenues (expenses)	<u>(257,460)</u>	<u>(274,384)</u>
Income (loss) before transfers	<u>(540,005)</u>	<u>(388,605)</u>
Transfers (to) from other funds:		
Transfers in	16,198	266,198
Change in net Assets	(523,807)	(122,407)
Net Assets, October 1, 2009	<u>6,218,745</u>	<u>6,341,152</u>
Net Assets, September 30, 2010	<u>\$ 5,694,938</u>	<u>\$ 6,218,745</u>

CITY OF RICHLAND HILLS, TEXAS
Water and Sewer Fund
Comparative Statements of Cash Flows
For the Fiscal Years Ended September 30, 2010 and 2009

EXHIBIT K-3

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Cash received from customers	\$ 3,219,518	\$ 3,152,534
Cash paid to suppliers	(1,691,666)	(2,173,526)
Cash paid to employees	(794,192)	(766,213)
Net cash provided by operating activities	<u>733,660</u>	<u>212,795</u>
Cash flow from noncapital financing activities:		
Transfers in	<u>16,198</u>	<u>266,198</u>
Net cash provided (used) by noncapital financing activities	<u>16,198</u>	<u>266,198</u>
Cash flow from capital and related financing activities:		
Principal payments on long-term debt	(417,815)	(395,971)
Increase (decrease) in due to other funds	(280,811)	(122,244)
Miscellaneous receivable	-	26,898
Capital expenditures	(585,183)	(734,314)
Interest paid on bonds	(253,913)	(270,428)
Net cash (used) by capital and related financing activities	<u>(1,537,722)</u>	<u>(1,496,059)</u>
Cash flow from investing activities:		
Interest received	<u>2,534</u>	<u>12,213</u>
Net cash provided by investing activities	<u>2,534</u>	<u>12,213</u>
Net increase (decrease) in cash and cash equivalents	(785,330)	(1,004,853)
Cash and cash equivalents, October 1, 2009	<u>2,199,684</u>	<u>3,204,537</u>
Cash and cash equivalents, September 30, 2010	<u>\$ 1,414,354</u>	<u>\$ 2,199,684</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities		
Operating income (loss)	\$ <u>(282,545)</u>	\$ <u>(114,221)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	438,465	416,159
(Increase) decrease in accounts receivable	(97,818)	(23,019)
Increase (decrease) in accounts payable and accrued liabilities	33,167	25,500
Increase (decrease) in due to other funds	263,835	(100,051)
Increase (decrease) in note payable - wastewater charges	375,152	-
Increase (decrease) in customer meter deposits	3,404	8,427
Total adjustments	<u>1,016,205</u>	<u>327,016</u>
Net cash provided by operating activities	<u>\$ 733,660</u>	<u>\$ 212,795</u>

CITY OF RICHLAND HILLS, TEXAS
 Drainage Utility Fund
 Comparative Statements of Net Assets
 September 30, 2010 and 2009

EXHIBIT K-4

	2010	2009
ASSETS:		
Current Assets:		
Cash and cash equivalents	\$ 308,902	\$ 204,613
Investments	500,022	200,109
Due from other funds	179,290	170,246
Restricted assets:		
Cash and cash equivalents	312,245	-
Investments	2,398,078	-
Total current assets	3,698,537	574,968
Noncurrent Assets:		
Deferred charges	48,056	-
Capital assets, at cost:		
Land	49,000	-
Construction in progress	310,204	186,600
Drainage improvements	160,088	160,088
Equipment	106,861	73,266
Less: accumulated depreciation	(68,181)	(51,056)
Capital assets, net	557,972	368,898
Total assets	\$ 4,304,565	\$ 943,866
LIABILITIES:		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 31,368	\$ 6,631
Due to other funds	41,961	3,903
Current Liabilities Payable from Restricted Assets:		
Current portion of long-term debt	50,000	-
Interest payable	56,239	-
Total current liabilities	179,568	10,534
Noncurrent Liabilities:		
Net pension obligation	3,070	1,148
Revenue bonds payable	2,700,000	-
Total noncurrent liabilities	2,703,070	1,148
Total liabilities	2,882,638	11,682
NET ASSETS:		
Investment in capital assets, net of debt	466,416	368,898
Unrestricted	955,511	563,286
Total net assets	\$ 1,421,927	\$ 932,184

CITY OF RICHLAND HILLS, TEXAS
 Drainage Utility Fund
 Comparative Statements of Revenues, Expenses and Changes
 in Fund Net Assets
 For the Fiscal Years Ended September 30, 2010 and 2009

EXHIBIT K-5

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Billing charges	\$ 691,018	\$ 662,405
Operating expenses:		
Operations	136,617	117,769
Depreciation	<u>17,125</u>	<u>16,449</u>
Total operating expenses	<u>153,742</u>	<u>134,218</u>
Operating income (loss)	<u>537,276</u>	<u>528,187</u>
Nonoperating revenues (expenses):		
Interest revenue	841	327
Bond interest expense	(46,430)	-
Amortization of bond issuance costs	<u>(1,944)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(47,533)</u>	<u>327</u>
Change in Net Assets	489,743	528,514
Net Assets, October 1, 2009	<u>932,184</u>	<u>403,670</u>
Net Assets, September 30, 2010	<u>\$ 1,421,927</u>	<u>\$ 932,184</u>

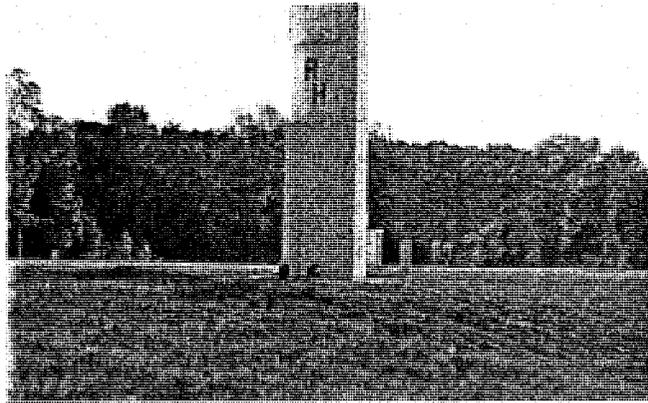
CITY OF RICHLAND HILLS, TEXAS
 Drainage Utility Fund
 Comparative Statement of Cash Flows
 For the Fiscal Years Ended September 30, 2010 and 2009

EXHIBIT K-6

	2010	2009
Cash flows from operating activities:		
Cash received from customers	\$ 720,032	\$ 546,883
Cash paid to suppliers	(32,649)	(60,765)
Cash paid to employees	(77,309)	(54,343)
Net cash provided by operating activities	610,074	431,775
Cash flow from capital and related financing activities:		
Proceeds from bond issuance	2,700,000	-
Capital expenditures	(206,199)	(192,492)
Interest paid on bonds	9,809	-
Net cash provided (used) by capital and related financing activities	2,503,610	(192,492)
Cash flow from investing activities:		
Interest received	841	516
Net cash provided by investing activities	841	516
Net increase (decrease) in cash and cash equivalents	3,114,525	239,799
Cash and cash equivalents, October 1, 2009	404,722	164,923
Cash and cash equivalents, September 30, 2010	\$ 3,519,247	\$ 404,722
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities		
Operating income (loss)	\$ 537,276	\$ 528,187
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	17,125	16,449
(Increase) decrease in due from other funds	(9,044)	(119,424)
Increase (decrease) in accounts payable and accrued liabilities	26,659	2,660
Increase (decrease) in due to other funds	38,058	3,903
Total adjustments	72,798	(96,412)
Net cash provided by operating activities	\$ 610,074	\$ 431,775

CAPITAL ASSET SCHEDULES

GOVERNMENTAL FUNDS



Richland Hills, *We're in the middle of things...*

CITY OF RICHLAND HILLS, TEXAS
Capital Assets Used in the Operation of Governmental Funds
Comparitive Schedules by Source
September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Capital Assets:		
Land	\$ 325,343	\$ 325,343
Construction in progress	728,803	375,588
Improvements other than buildings	1,020,799	968,780
Buildings	2,205,361	2,205,361
Machinery and equipment	4,573,596	4,431,090
Streets	<u>18,802,682</u>	<u>18,217,775</u>
 Total general capital assets	 <u>\$ 27,656,584</u>	 <u>\$ 26,523,937</u>
 Investments in capital assets by source:		
General Fund	\$ 6,325,762	\$ 6,072,317
Special Revenue Fund	1,932,767	1,890,132
Capital Projects Fund	<u>19,398,055</u>	<u>18,561,488</u>
	 <u>\$ 27,656,584</u>	 <u>\$ 26,523,937</u>

CITY OF RICHLAND HILLS, TEXAS
Capital Assets Used in Operation of Governmental Funds
Schedule by Function and Activity
September 30, 2010

<u>Function and Activity</u>	<u>Land</u>	<u>Construction in Progress</u>	<u>Improvements Other than Buildings</u>
General Government:			
Administration	\$ 164,754	\$ -	\$ 210,554
Animal control	60,000		11,718
Municipal			
Legislative			2,063
Total general government	224,754	-	224,335
Public Safety:			
Police department	49,839		89,475
Fire and ambulance department			29,879
Total public safety	49,839	-	119,354
Culture and Recreation:			
Library	28,750		55,069
Park department	22,000		113,288
Community center			50,099
Parks and beautification			222,809
Total culture and recreation	50,750	-	441,265
Street Department		728,803	235,845
Total capital assets	\$ 325,343	\$ 728,803	\$ 1,020,799

EXHIBIT L-2

<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Streets</u>	<u>Total</u>
\$ 106,675	\$ 359,510		\$ 841,493
393,726	63,027		528,471
	59,069		59,069
	74,686		76,749
<u>500,401</u>	<u>556,292</u>	<u>-</u>	<u>1,505,782</u>
852,163	1,696,567		2,688,044
75,364	1,790,860		1,896,103
<u>927,527</u>	<u>3,487,427</u>	<u>-</u>	<u>4,584,147</u>
514,458	175,788		774,065
13,930	44,401		193,619
198,011	18,569		266,679
10,149	172,907		405,865
<u>736,548</u>	<u>411,665</u>	<u>-</u>	<u>1,640,228</u>
40,885	118,212	18,802,682	19,926,427
<u>\$ 2,205,361</u>	<u>\$ 4,573,596</u>	<u>\$ 18,802,682</u>	<u>\$ 27,656,584</u>

CITY OF RICHLAND HILLS, TEXAS
Schedule of Changes in Governmental Activities Capital Assets - By Function and Activity
For the Fiscal Year Ended September 30, 2010

Function and Activity	Capital Assets October 1, 2009	Additions	Deductions	Capital Assets September 30, 2010
General Government:				
Administration	\$ 798,789	\$ 42,704		\$ 841,493
Animal control	528,471			528,471
Municipal	59,069			59,069
Legislative	76,749			76,749
Total general government	1,463,078	42,704	-	1,505,782
Public Safety:				
Police department	2,610,587	77,457		2,688,044
Fire and ambulance department	1,824,903	71,200		1,896,103
Total public safety	4,435,490	148,657	-	4,584,147
Culture and Recreation:				
Library	774,065			774,065
Park department	193,619			193,619
Community center	257,364	9,315		266,679
Parks and beautification	405,865			405,865
Total culture and recreation	1,630,913	9,315	-	1,640,228
Street Department	18,994,456	938,122	6,151	19,926,427
Total capital assets	\$ 26,523,937	\$ 1,138,798	\$ 6,151	\$ 27,656,584

OTHER SCHEDULES

CITY OF RICHLAND HILLS, TEXAS
 Enterprise Funds
 Restricted Cash and Investments
 Schedule of Cash Receipts and Disbursements
 For the Fiscal Year Ended September 30, 2010

	Customer Meter Deposits	EPA Wastewater Bonds I&S	2002 Revenue Bons I&S	Revenue Bonds Reserve
Balance October 1, 2009	\$ 95,272	\$ 335,164	\$ 47,226	\$ 318,708
Cash receipts:				
Amount from unrestricted assets			166,601	8,239
Billing charges		335,278		
Interest		661	49	414
Net change in deposits	3,403			
Bonds issued				
(Increase) decrease in deferred charges				
(Increase) decrease in due from other funds		114,722		
Total cash receipts	3,403	450,661	166,650	8,653
Cash disbursements:				
Bond principal paid		205,000	90,000	
Interest paid		85,335	76,934	
Capital outlay paid				
(Increase) decrease in due to other funds		(34)	35,954	(9,333)
Total cash disbursements	-	290,301	202,888	(9,333)
Balance September 30, 2010	\$ 98,675	\$ 495,524	\$ 10,988	\$ 336,694
Composition of balance:				
Cash in bank	\$ 64,204	\$ 95,625	\$ 10,988	\$ 36,770
Investment pool	34,471	399,899	-	299,924
Totals	\$ 98,675	\$ 495,524	\$ 10,988	\$ 336,694

SCHEDULE 1

2007 Revenue Bonds Construction	2007 Revenue Bonds I&S	2010 Revenue Bonds Construction	2010 Revenue Bonds I&S	Total
\$ 892,112	\$ 31,135	\$ -	\$ -	\$ 1,719,617
	155,935			330,775
				335,278
605	31	388	8	2,156
				3,403
		2,750,000		2,750,000
		(48,056)		(48,056)
				114,722
605	155,966	2,702,332	8	3,488,278
	80,000			375,000
	76,195	1,944	(9,809)	230,599
551,226		146		551,372
112,800	28,901	(146)	(118)	168,024
664,026	185,096	1,944	(9,927)	1,324,995
\$ 228,691	\$ 2,005	\$ 2,700,388	\$ 9,935	\$ 3,882,900
\$ 128,716	\$ 2,005	\$ 302,310	\$ 9,935	\$ 650,553
99,975	-	2,398,078	-	3,232,347
\$ 228,691	\$ 2,005	\$ 2,700,388	\$ 9,935	\$ 3,882,900

CITY OF RICHLAND HILLS, TEXAS

SCHEDULE 2

Enterprise Funds

Page 1 of 3

Schedule of Operating Expenses - Budget and Actual
 For the Fiscal Year Ended September 30, 2010
 (With comparative actual totals for September 30, 2009)

Water and Sewer Fund	2010		Variance	2009 Actual
	Budget	Actual	Favorable (Unfavorable)	
General and Administrative:				
Office salaries	\$ 282,823	\$ 287,245	\$ (4,422)	\$ 275,511
Payroll tax	21,048	19,880	1,168	18,791
Retirement	39,129	58,182	(19,053)	46,250
Employee insurance	35,192	35,192	-	29,594
Legal fees	97,085	123,366	(26,281)	124,869
Auditing	20,823	23,422	(2,599)	22,372
Engineering/consulting fee	-	8,958	(8,958)	4,900
Franchise fees	60,000	60,000	-	60,000
Office supplies	4,038	9,128	(5,090)	4,127
Printing	5,040	4,219	821	2,858
E-commerce and electronic payment fees	23,245	28,623	(5,378)	24,178
Legal advertising	3,220	2,898	322	3,529
Office equipment and repairs	31,643	44,847	(13,204)	26,803
Building maintenance and supplies	23,004	24,523	(1,519)	22,374
Postage	14,978	11,817	3,161	13,508
Memberships and subscriptions	4,164	7,133	(2,969)	4,488
Other programs	1,841	214	1,627	-
Travel and training	4,868	504	4,364	1,816
Newsletter	8,110	7,396	714	7,234
Nuisance abatement	1,020	-	1,020	-
Power and light	10,378	10,915	(537)	11,406
Natural gas	1,198	1,012	186	793
Telephone	6,467	7,703	(1,236)	6,967
Insurance	7,304	6,469	835	7,499
Total General and Administrative	706,618	783,646	(77,028)	719,867
Legislative:				
Salaries	51,847	48,263	3,584	43,195
Payroll tax	3,838	3,474	364	3,032
Retirement	7,139	8,816	(1,677)	6,765
Employee insurance	4,325	3,669	656	3,093
Council compensation	504	360	144	355
Election	1,120	6,806	(5,686)	5,977
Office supplies	2,100	499	1,601	2,306
Printing	840	840	-	2,128
Office equipment maintenance	5,712	6,583	(871)	2,084
Minor office equipment	-	713	(713)	-
Legal advertising	2,100	309	1,791	612
Postage	1,663	1,340	323	1,663
Memberships and subscriptions	10,807	8,733	2,074	9,349
Employee/volunteer programs	4,900	3,362	1,538	3,445
Other programs	455	-	455	35
Travel and training	7,000	3,896	3,104	6,303
Contingency fund	5,250	643	4,607	1,260
Insurance	11,209	9,353	1,856	10,614
Total legislative	120,809	107,659	13,150	102,216
Total Administration	827,427	891,305	(63,878)	822,083

CITY OF RICHLAND HILLS, TEXAS

SCHEDULE 2

Enterprise Funds

Page 2 of 3

Schedule of Operating Expenses - Budget and Actual
 For the Fiscal Year Ended September 30, 2010
 (With comparative actual totals for September 30, 2009)

	2010		Variance Favorable (Unfavorable)	2009 Actual
	Budget	Actual		
Water and Sewer Fund - continued				
Operations				
Water production and distribution:				
Salaries	\$ 217,481	\$ 201,457	\$ 16,024	\$ 220,187
Payroll tax	15,192	15,306	(114)	16,333
Retirement	27,822	33,131	(5,309)	31,925
Employee insurance	24,454	21,002	3,452	24,435
Laboratory Fees	4,600	2,292	2,308	2,389
Engineer/consulting fees	-	65,010	(65,010)	-
Physicals	200	2,781	(2,581)	915
Office and operating supplies	3,900	4,208	(308)	4,080
Printing	400	307	93	62
Gasoline and oil	11,200	10,720	480	10,749
Office equipment maintenance	3,000	2,354	646	2,555
Building maintenance and supplies	37,800	23,211	14,589	42,291
Uniforms	2,500	2,410	90	1,295
Vehicle maintenance and supplies	5,000	2,991	2,009	5,089
Radio maintenance	5,500	7,971	(2,471)	6,166
Equipment repair and tools	1,000	426	574	121
Street repair material	6,000	2,639	3,361	4,142
Paints and chemicals	400	396	4	361
Operating equipment and supplies	3,500	4,575	(1,075)	3,371
Water system supplies	25,000	18,504	6,496	20,808
Well and tank maintenance	15,000	11,294	3,706	10,229
Meter repair and replacements	4,000	218	3,782	3,681
Memberships and subscriptions	1,000	4,596	(3,596)	467
Training and travel	4,500	3,876	624	3,583
Water purchases	345,000	376,568	(31,568)	436,787
Standby charge	80,000	142,802	(62,802)	104,313
Power and light	98,000	81,390	16,610	92,856
Natural gas	900	781	119	576
Telephone	4,500	7,612	(3,112)	6,498
Insurance	18,116	15,217	2,899	19,205
Equipment	1,633	1,481	152	1,485
Water system improvements	474	474	-	116,330
Total water production and distribution	968,072	1,068,000	(99,928)	1,193,284
Wastewater collections and treatment:				
Salaries	267,797	251,398	16,399	239,485
Payroll tax	20,765	19,528	1,237	17,432
Retirement	35,416	45,103	(9,687)	36,060
Employee insurance	34,762	34,037	725	24,913
Laboratory Fees	1,000	2,396	(1,396)	595
Physicals	500	167	333	-
Supplies	2,250	1,198	1,052	1,515
Gasoline and oil	6,500	8,273	(1,773)	6,116

Enterprise Funds

Schedule of Operating Expenses - Budget and Actual
For the Fiscal Year Ended September 30, 2010
(With comparative actual totals for September 30, 2009)

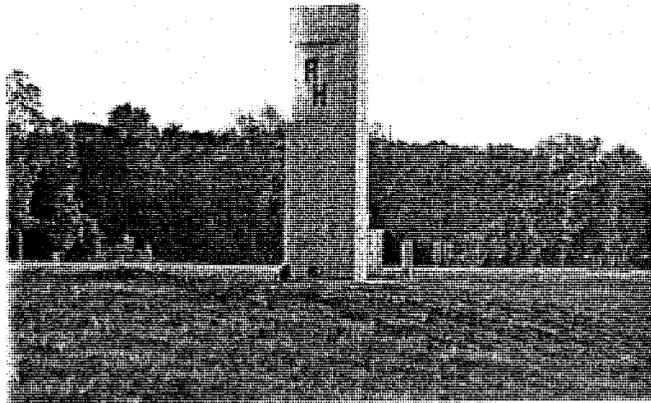
	2010		Variance Favorable (Unfavorable)	2009 Actual
	Budget	Actual		
Water and Sewer Fund - continued				
Operations				
Wastewater collections and treatment:				
Vehicle supplies and maintenance	\$ 5,000	\$ 4,934	\$ 66	\$ 4,072
Uniforms	1,400	1,904	(504)	1,148
Paint and chemicals	2,000	2,002	(2)	1,851
Equipment repair	8,850	8,624	226	23,527
Sewer maintenance	10,000	8,883	1,117	4,630
Memberships and subscriptions	500	141	359	76
Sewer charge	474,826	796,202	(321,376)	506,529
Travel and training	2,100	822	1,278	1,577
Power and light	1,400	1,751	(351)	1,901
Natural gas	900	781	119	576
Telephone	900	1,353	(453)	956
Insurance	10,997	9,210	1,787	10,957
Sewer system improvements	-	-	-	(34,094)
Total wastewater collection and treatment	<u>887,863</u>	<u>1,198,707</u>	<u>(310,844)</u>	<u>849,822</u>
Total operations	<u>1,855,935</u>	<u>2,266,707</u>	<u>(410,772)</u>	<u>2,043,106</u>
Total operating expenses before depreciation	\$ <u>2,683,362</u>	\$ <u>3,158,012</u>	\$ <u>(474,650)</u>	\$ <u>2,865,189</u>
Drainage Utility Fund				
Operations:				
Salaries and wages	\$ 80,518	\$ 78,294	\$ 2,224	\$ 54,640
Payroll tax	5,969	6,225	(256)	4,257
Retirement	9,063	11,108	(2,045)	8,257
Employee insurance	10,308	10,139	169	10,309
Physicals	200	-	200	-
Supplies	1,539	1,937	(398)	1,111
Gasoline and oil	5,300	5,489	(189)	4,736
Uniforms	1,300	1,162	138	1,043
Vehicle maintenance	3,700	3,395	305	1,212
Operating equipment and maintenance	2,000	4,426	(2,426)	2,555
Street sweeping	6,000	5,665	335	-
Travel & training	-	336	(336)	-
Property acquisition	26,000	1,419	24,581	115
Drainage system maintenance	-	6,876	(6,876)	-
Drainage improvements	235,000	146	234,854	29,534
Total operating expenses before depreciation	\$ <u>386,897</u>	\$ <u>136,617</u>	\$ <u>250,280</u>	\$ <u>117,769</u>

CITY OF RICHLAND HILLS, TEXAS
Enterprise Funds
Schedule of Changes in Property and Equipment
and Accumulated Depreciation
For the Fiscal Year Ended September 30, 2010

Account	Balance			Balance 09/30/10	Accumulated Depreciation			
	10/01/09	Additions	Deletions		Balance 10/01/09	Current Provision	Deletions	Balance 09/30/10
Waterworks and Sewer System:								
Wells	283,437			283,437	273,771	992		274,763
Pumping equipment	353,580			353,580	314,567	8,799		323,366
Storage reservoirs	1,500,352	236,789		1,737,141	492,901	39,003		531,904
Distribution mains	3,883,649			3,883,649	1,713,394	75,532		1,788,926
Service lines	1,138,607	756,170		1,894,777	297,880	37,909		335,789
Meters	581,801			581,801	65,453	29,090		94,543
Sewer mains	6,964,391	65,139		7,029,530	1,695,829	161,554		1,857,383
Other equipment	483,186	1,390		484,576	166,531	20,402		186,933
Total	15,189,003	1,059,488	-	16,248,491	5,020,326	373,281		5,393,607
Other Assets:								
Land	207,267	49,000		256,267				
Construction in progress	684,047	717,851	1,091,693	310,205				
Property improvements	27,692			27,692	12,894	1,105		13,999
Buildings	193,430			193,430	178,983	2,469		181,452
Furniture and fixtures	136,325		800	135,525	135,653	423	800	135,276
Autos and trucks	349,659	23,141		372,800	333,036	11,910		344,946
Equipment	554,176	39,746		593,922	362,068	68,551		430,619
Total	2,152,596	829,738	1,092,493	1,889,841	1,022,634	84,458	800	1,106,292
Drainage Improvements	160,088			160,088	12,190	4,002		16,192
Grand Total	17,501,687	1,889,226	1,092,493	18,298,420	6,055,150	461,741	800	6,516,091

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STATISTICAL DATA
(Unaudited)



Richland Hills, *We're in the middle of things...*

**CITY OF RICHLAND HILLS
STATISTICAL SECTION**

TABLE PAGE

Financial Trends

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

Net Assets by Component	1	120 - 121
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Fund Balances, Governmental Funds	3	124 - 125
Changes in Fund Balances, Governmental Funds	4	126 - 127
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Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue sources.

Appraised and Taxable Value Property	6	129
Direct and Overlapping Property Tax Rates	7	130
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Property Tax Levies and Collection	9	132
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Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Ratio of Outstanding Debt by Type	11	134 - 135
Ratio of Net General Bonded Debt Outstanding Per Capita	12	136
Ratio of General Bonded Debt Outstanding	13	137
Direct and Overlapping Governmental Activities Debt	14	138
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Demographic and Economic Information

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

Demographic and Economic Statistics	17	141
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Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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Full-Time Equivalent City Government Employees by Function/Program	21	145

CITY OF RICHLAND HILLS, TEXAS
NET ASSETS BY COMPONENT
LAST SEVEN FISCAL YEARS (UNAUDITED)

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities			
Invested in capital assets, net of related debt	\$ 9,760,325	\$ 10,116,134	\$ 9,609,930
Restricted	57,000	58,177	56,693
Unrestricted	<u>4,947,499</u>	<u>4,364,948</u>	<u>4,303,817</u>
Total governmental activities net assets	\$ 14,764,824	\$ 14,539,259	\$ 13,970,440
Business-type activities			
Invested in capital assets, net of related debt	\$ 4,943,841	\$ 5,382,901	\$ 5,599,182
Restricted	791,426	871,988	955,912
Unrestricted	<u>1,418,343</u>	<u>1,113,198</u>	<u>1,092,985</u>
Total business-type activities net assets	\$ 7,153,610	\$ 7,368,087	\$ 7,648,079
Primary government			
Invested in capital assets, net of related debt	\$ 14,704,166	\$ 15,499,035	\$ 15,209,112
Restricted	848,426	930,165	1,012,605
Unrestricted	<u>6,365,842</u>	<u>5,478,146</u>	<u>5,396,802</u>
Total primary government net assets	<u>\$ 21,918,434</u>	<u>\$ 21,907,346</u>	<u>\$ 21,618,519</u>

Source: Comprehensive Annual Reports

Note: The City of Richland Hills applied GASB Statement 34 in fiscal year ended 09/30/2004; government-wide financial information for prior is not available.

TABLE 1

FISCAL YEAR			
2007	2008	2009	2010
\$ 8,973,364	\$ 8,565,062	\$ 8,108,808	\$ 8,215,829
384,137	412,610	439,715	375,753
<u>4,765,358</u>	<u>4,888,559</u>	<u>5,273,862</u>	<u>4,153,765</u>
\$ 14,122,859	\$ 13,866,231	\$ 13,822,385	\$ 12,745,347
\$ 5,705,248	\$ 5,945,512	\$ 6,093,323	\$ 6,194,852
1,026,423	1,011,985	1,039,337	1,212,169
<u>413,272</u>	<u>(212,675)</u>	<u>18,269</u>	<u>(290,156)</u>
\$ 7,144,943	\$ 6,744,822	\$ 7,150,929	\$ 7,116,865
\$ 14,678,612	\$ 14,510,574	\$ 14,202,131	\$ 14,410,681
1,410,560	1,424,595	1,479,052	1,587,922
<u>5,178,630</u>	<u>4,675,884</u>	<u>5,292,131</u>	<u>3,863,609</u>
<u>\$ 21,267,802</u>	<u>\$ 20,611,053</u>	<u>\$ 20,973,314</u>	<u>\$ 19,862,212</u>

CITY OF RICHLAND HILLS, TEXAS
 CHANGES IN NET ASSETS
 LAST SEVEN FISCAL YEARS (UNAUDITED)

TABLE 2

	FISCAL YEAR						
	2004	2005	2006	2007	2008	2009	2010
Expenses							
Governmental activities:							
General government	\$ 370,519	\$ 457,179	\$ 442,659	\$ 431,748	\$ 381,991	\$ 396,736	\$ 409,627
Legislative	34,561	41,989	45,591	48,763	83,153	86,980	76,361
Municipal Court	216,649	213,583	230,039	241,636	250,376	198,524	196,701
Police	1,639,960	1,701,888	1,887,635	2,215,397	2,161,108	2,349,015	2,533,857
Traffic Safety	-	-	-	82,542	252,067	195,148	386,093
Fire and Ambulance	1,146,947	1,162,771	1,296,394	1,336,704	1,535,701	1,616,348	1,708,179
Code Enforcement	155,963	146,009	151,769	139,063	148,014	161,647	270,688
Animal Control	94,059	98,481	107,736	115,052	117,869	119,362	97,350
Keep Richland Hills Beautiful	13,459	12,539	9,340	20,078	9,084	11,462	20,309
Street and Highways	1,156,453	1,128,504	1,147,289	1,203,362	1,277,037	1,445,582	1,339,330
Library	279,752	292,394	295,554	302,913	329,331	317,101	364,142
Community Center	37,044	37,745	41,784	40,799	44,442	43,719	46,852
Parks and Beautification	23,299	51,542	39,120	40,783	43,290	46,457	26,670
Economic Development	138,008	32,934	18,951	39,532	30,266	80,451	59,261
Interest on long-term Debt	74,690	75,836	83,135	92,682	91,450	82,847	74,760
Total governmental activities expenses	5,381,363	5,453,394	5,796,996	6,351,054	6,755,179	7,151,379	7,610,180
Business-type activities							
Water production and distribution	1,447,106	1,490,135	1,656,734	1,612,901	1,702,949	1,903,276	1,903,193
Sewer Collection and Treatment	1,388,025	1,499,796	1,483,175	1,859,462	1,816,206	1,661,146	2,001,652
Drainage Utility	100,884	96,559	88,518	118,124	250,726	134,218	153,742
Total business-type activities expenses	2,936,015	3,086,490	3,228,427	3,590,487	3,769,881	3,698,640	4,058,587
Total primary government expenses	\$ 8,317,378	\$ 8,539,884	\$ 9,025,423	\$ 9,941,541	\$ 10,525,060	\$ 10,850,019	\$ 11,668,767
Program Revenues							
Governmental activities							
Charges for services							
Police	\$ 552,239	\$ 428,218	\$ 373,678	\$ 631,450	\$ 317,845	\$ 371,968	\$ 277,808
Traffic Safety	-	-	-	383,646	271,756	166,079	326,165
Fire and ambulance	256,158	345,275	221,451	256,554	214,911	232,783	212,523
Code enforcement	93,345	89,062	109,134	135,319	136,745	69,107	111,859
Other	155,568	207,941	205,296	131,020	121,133	105,459	77,766
Operating grants and contributions	165,002	107,719	183,081	152,616	179,182	164,926	230,056
Capital grants and contributions	130,963	150,505	61,929	130,204	97,423	352,102	226,239
Total governmental activities program revenues	1,353,275	1,328,720	1,154,569	1,820,809	1,338,995	1,464,424	1,462,436
Business-type activities:							
Charges for services							
Water production and distribution	1,505,446	1,697,291	1,883,608	1,488,504	1,762,246	1,845,061	1,825,286
Sewer Collection and treatment	1,187,858	1,205,589	1,204,627	1,223,835	1,371,161	1,322,066	1,488,646
Drainage utility	151,488	154,060	152,743	155,034	177,406	662,405	691,018
Capital grants and contributions	-	126,000	134,492	-	-	-	-
Total business-type activities program revenues	2,844,792	3,182,940	3,375,470	2,867,373	3,310,833	3,829,532	4,004,950
Total primary government program revenues	\$ 4,198,067	\$ 4,511,660	\$ 4,530,039	\$ 4,688,182	\$ 4,649,828	\$ 5,293,956	\$ 5,467,386
Net (Expense)Revenue							
Governmental activities	\$ (4,028,088)	\$ (4,124,674)	\$ (4,642,427)	\$ (4,530,245)	\$ (5,416,184)	\$ (5,686,955)	\$ (6,147,744)
Business-type activities:	\$ (91,223)	\$ 96,450	\$ 147,043	\$ (723,114)	\$ (459,048)	\$ 130,892	\$ (53,637)
Total primary government net expense	\$ (4,119,311)	\$ (4,028,224)	\$ (4,495,384)	\$ (5,253,359)	\$ (5,875,232)	\$ (5,556,063)	\$ (6,201,381)

General Revenues and Other Changes in Net Assets

Governmental activities

Taxes

Property taxes	\$ 1,651,585	\$ 1,706,980	\$ 1,772,300	\$ 1,858,628	\$ 1,927,273	\$ 2,083,969	\$ 2,119,563
Sales taxes	1,380,471	1,456,326	1,601,495	2,067,016	2,457,930	2,262,356	2,210,327
Franchise taxes	652,268	436,661	598,861	552,072	543,654	562,590	480,222
Hotel Occupancy Taxes	-	-	-	-	-	52,079	121,561
Investment earnings	41,932	76,521	136,546	159,705	64,126	9,476	3,925
Miscellaneous	-	288,683	-	61,441	166,573	938,837	151,306
Transfers	-	(66,062)	(35,594)	(16,198)	-	(266,198)	(16,198)
Total governmental activities	3,726,256	3,899,109	4,073,608	4,682,664	5,159,556	5,643,109	5,070,706
Business-type activities:							
Investment earnings	27,137	51,965	97,355	203,780	58,927	9,017	3,375
Transfers	-	66,062	35,594	16,198	-	266,198	16,198
Total business-type activities	27,137	118,027	132,949	219,978	58,927	275,215	19,573
Total primary government	\$ 3,753,393	\$ 4,017,136	\$ 4,206,557	\$ 4,902,642	\$ 5,218,483	\$ 5,918,324	\$ 5,090,279

Change in Net Assets

Governmental activities	\$ (301,832)	\$ (225,565)	\$ (568,819)	\$ 152,419	\$ (256,628)	\$ (43,846)	\$ (1,077,038)
Business-type activities	\$ (64,086)	\$ 214,477	\$ 279,992	\$ (503,136)	\$ (400,121)	\$ 406,107	\$ (34,064)
Total primary government	\$ (365,918)	\$ (11,088)	\$ (288,827)	\$ (350,717)	\$ (656,749)	\$ 362,261	\$ (1,111,102)

Note: The City of Richland Hills applied GASB Statement 34 in fiscal year ended 09/30/2004; government-wide financial information for years prior is not available.

CITY OF RICHLAND HILLS, TEXAS
 FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS (UNAUDITED)

	2001	2002	2003	2004
General Fund				
Reserved	\$ 31,438	\$ 73,927	\$ 99,187	\$ 64,074
Unreserved	\$ 3,189,636	\$ 2,825,718	\$ 2,356,934	\$ 2,385,941
Total General Fund	\$ 3,221,074	\$ 2,899,645	\$ 2,456,121	\$ 2,450,015
All Other Governmental Funds				
Reserved	\$ 21,754	\$ 37,111	\$ 44,807	\$ 54,928
Unreserved, reported in				
Special Revenue funds	\$ 1,690,581	\$ 1,931,730	\$ 1,837,296	\$ 1,591,364
Capital Projects funds	\$ 1,163,297	\$ 791,091	\$ 146,531	\$ 132,004
Total all other governmental funds	\$ 2,875,632	\$ 2,759,932	\$ 2,028,634	\$ 1,778,296

TABLE 3

FISCAL YEAR					
2005	2006	2007	2008	2009	2010
\$ 65,997	\$ 70,206	\$ 88,573	\$ 94,104	\$ 83,381	\$ 959,203
\$ 2,343,951	\$ 2,511,373	\$ 2,753,628	\$ 2,789,037	\$ 2,483,768	\$ 1,115,619
<u>\$ 2,409,948</u>	<u>\$ 2,581,579</u>	<u>\$ 2,842,201</u>	<u>\$ 2,883,141</u>	<u>\$ 2,567,149</u>	<u>\$ 2,074,822</u>
\$ 50,235	\$ 49,069	\$ 376,513	\$ 403,585	\$ 408,406	\$ 351,107
\$ 628,864	\$ 721,920	\$ 815,053	\$ 1,041,506	\$ 1,002,259	\$ 1,004,795
<u>\$ 543,732</u>	<u>\$ 306,243</u>	<u>\$ 780,342</u>	<u>\$ 209,354</u>	<u>\$ 1,033,429</u>	<u>\$ 552,409</u>
<u>\$ 1,222,831</u>	<u>\$ 1,077,232</u>	<u>\$ 1,971,908</u>	<u>\$ 1,654,445</u>	<u>\$ 2,444,094</u>	<u>\$ 1,908,311</u>

CITY OF RICHLAND HILLS, TEXAS
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS (UNAUDITED)

	FISCAL YEAR				
	2001	2002	2003	2004	2005
Revenues					
Taxes	\$ 3,815,236	\$ 3,706,679	\$ 3,671,817	\$ 3,695,904	\$ 3,607,405
Fines and penalties	317,953	340,753	457,871	628,542	601,459
Licenses, fees and permits	79,942	70,216	67,451	93,345	89,062
Charges for services	148,026	159,498	128,366	157,989	270,299
Intergovernmental	739,109	477,463	289,046	295,965	258,224
Investment earnings	236,491	109,581	58,816	41,932	76,521
Other Revenues	69,760	60,540	72,626	64,393	378,990
Total Revenues	5,406,517	4,924,730	4,745,993	4,978,070	5,281,960
Expenditures					
General government	178,655	324,296	354,734	321,629	421,849
Legislative	30,533	33,893	33,047	34,561	41,380
Municipal Court	149,250	157,115	179,096	215,512	206,327
Police	1,248,441	1,397,993	1,416,720	1,579,582	1,669,523
Traffic Safety	-	-	-	-	-
Tourism	-	-	-	-	-
Fire and Ambulance	945,945	1,079,156	1,003,218	1,097,387	1,127,360
Code Enforcement	146,310	139,890	132,328	155,963	146,009
Animal Control	60,534	71,436	82,548	85,136	87,101
Keep Richland Hills Beautiful	3,394	7,311	7,507	13,459	12,539
Street and Highways	1,118,614	509,259	771,691	688,937	1,428,254
Library	222,163	283,445	252,289	254,129	262,553
Community Center	37,936	38,337	30,951	32,707	33,094
Parks and Beautification	80,055	14,006	13,669	72,567	58,976
Economic Development	57,697	30,834	1,333	138,008	32,890
Capital Outlay	927,539	1,245,654	1,055,859	269,334	396,212
Debt Service					
Debt Issuance Cost	35,000				11,401
Interest	30,425	130,910	100,380	75,603	66,662
Principal	149,348	165,534	373,664	200,000	210,000
Total expenditures	5,421,839	5,629,069	5,809,034	5,234,514	6,212,130
Excess of revenue over (under) expenditures	(15,322)	(704,339)	(1,063,041)	(256,444)	(930,170)
Other Financing Sources(Uses)					
Proceeds from sale of general capital assets	864	13,898	8,805		700
Proceeds from issuance of bonds	1,325,000	350,000			400,000
Operating transfers in	122,905	388,908	617,143	179,153	181,130
Operating transfers out	(241,309)	(485,596)	(737,729)	(179,153)	(247,192)
Total Other Financing Sources (uses)	1,207,460	267,210	(111,781)	-	334,638
Net change in fund balances	\$ 1,192,138	\$ (437,129)	\$ (1,174,822)	\$ (256,444)	\$ (595,532)
Debt service as a percentage of noncapital expenditures	4.00%	6.76%	9.97%	5.55%	4.76%

TABLE 4

FISCAL YEAR				
2006	2007	2008	2009	2010
\$ 3,963,676	\$ 4,420,262	\$ 4,942,857	\$ 4,945,924	\$ 4,935,890
407,187	1,015,339	722,672	614,228	654,673
109,134	135,319	136,745	69,108	111,859
285,603	249,631	237,077	237,184	240,425
182,962	168,050	166,444	426,644	382,703
136,546	159,705	64,126	9,476	3,925
73,952	105,921	231,634	984,144	194,319
<u>5,159,060</u>	<u>6,254,227</u>	<u>6,501,555</u>	<u>7,286,708</u>	<u>6,523,794</u>
535,853	339,869	338,417	358,134	378,811
43,602	43,065	59,471	63,333	54,868
223,588	250,425	242,309	218,224	207,982
1,720,438	2,071,102	2,037,685	2,147,268	2,394,950
-	82,542	269,597	195,148	386,093
-	-	-	30,339	83,427
1,218,710	1,252,326	1,444,786	1,431,749	1,504,232
150,547	139,221	147,498	166,063	263,683
94,565	103,099	104,729	103,605	88,408
9,340	20,078	9,084	11,462	20,309
326,348	349,109	493,330	656,433	510,250
276,603	284,706	308,140	293,622	329,463
34,747	32,374	36,338	34,607	36,935
40,649	9,311	11,818	16,005	4,256
24,465	39,532	30,266	77,805	56,720
707,548	321,570	954,855	472,993	913,798
12,069	13,500	-	-	-
78,471	83,867	99,393	79,663	71,249
200,000	191,000	223,000	242,000	251,000
<u>5,697,543</u>	<u>5,626,696</u>	<u>6,810,716</u>	<u>6,598,453</u>	<u>7,556,434</u>
(538,483)	627,531	(309,161)	688,255	(1,032,640)
25,546	8,955	32,648	51,600	20,728
415,000	535,000	-	-	-
122,863	259,808	244,780	260,887	320,113
<u>(158,457)</u>	<u>(276,006)</u>	<u>(244,780)</u>	<u>(527,085)</u>	<u>(336,311)</u>
<u>404,952</u>	<u>527,757</u>	<u>32,648</u>	<u>(214,598)</u>	<u>4,530</u>
<u>\$ (133,531)</u>	<u>\$ 1,155,288</u>	<u>\$ (276,513)</u>	<u>\$ 473,657</u>	<u>\$ (1,028,110)</u>
5.58%	5.18%	5.77%	5.40%	5.02%

GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Property Tax	Sales Tax	Beverage Tax	Franchise Tax	Hotel Occupancy Tax	Total
2000-01	\$ 1,405,592	\$ 1,842,879	\$ 1,557	\$ 565,208	\$ -	\$ 3,815,236
2001-02	\$ 1,505,219	\$ 1,578,938	\$ 1,907	\$ 620,615	\$ -	\$ 3,706,679
2002-03	\$ 1,579,915	\$ 1,510,424	\$ 1,830	\$ 579,648	\$ -	\$ 3,671,817
2003-04	\$ 1,646,132	\$ 1,438,350	\$ 2,216	\$ 609,206	\$ -	\$ 3,695,904
2004-05	\$ 1,704,550	\$ 1,410,246	\$ 1,902	\$ 490,707	\$ -	\$ 3,607,405
2005-06	\$ 1,775,844	\$ 1,611,844	\$ 1,746	\$ 574,242	\$ -	\$ 3,963,676
2006-07	\$ 1,861,429	\$ 1,997,967	\$ 2,102	\$ 558,764	\$ -	\$ 4,420,262
2007-08	\$ 1,918,082	\$ 2,470,907	\$ 2,140	\$ 551,728	\$ -	\$ 4,942,857
2008-09	\$ 2,079,168	\$ 2,252,568	\$ 1,955	\$ 560,154	\$ 52,079	\$ 4,945,924
2009-10	\$ 2,101,899	\$ 2,194,903	\$ 1,716	\$ 515,811	\$ 121,561	\$ 4,935,890

CITY OF RICHLAND HILLS, TEXAS
 APPRAISED AND TAXABLE VALUE PROPERTY (1)
 LAST TEN FISCAL YEARS (UNAUDITED)

TABLE 6

Fiscal Year	Appraised Residential Property	Appraised Commercial Property	Appraised Industrial Property	Appraised Other Property	Personal Property	Less: Tax-Exempt Property	Net Taxable Value	Total Direct Tax Rate
2000-01	\$ 186,970,057	\$ 65,395,362	\$ 8,448,579	\$ 3,226,223	\$ 90,201,450	\$ 18,033,923	\$ 336,207,748	\$ 0.417994
2001-02	\$ 200,136,951	\$ 70,805,838	\$ 10,362,209	\$ 3,393,872	\$ 88,976,987	\$ 16,577,000	\$ 357,098,857	\$ 0.417333
2002-03	\$ 212,954,732	\$ 72,288,710	\$ 10,362,209	\$ 4,668,596	\$ 88,393,600	\$ 16,568,803	\$ 372,099,044	\$ 0.417333
2003-04	\$ 232,221,028	\$ 71,893,437	\$ 10,370,809	\$ 4,362,796	\$ 84,216,038	\$ 16,367,789	\$ 386,696,319	\$ 0.428441
2004-05	\$ 238,701,345	\$ 74,988,130	\$ 10,289,818	\$ 3,687,521	\$ 75,910,560	\$ 16,398,666	\$ 387,178,708	\$ 0.436297
2005-06	\$ 257,185,035	\$ 79,703,585	\$ 11,691,714	\$ 3,273,159	\$ 78,292,805	\$ 23,779,179	\$ 406,367,119	\$ 0.435898
2006-07	\$ 267,292,330	\$ 76,414,116	\$ 9,490,948	\$ 3,081,828	\$ 86,566,380	\$ 24,127,523	\$ 418,718,079	\$ 0.442094
2007-08	\$ 263,989,606	\$ 84,778,256	\$ 9,904,412	\$ 578,752	\$ 87,309,399	\$ 22,812,614	\$ 423,747,811	\$ 0.450670
2008-09	\$ 277,842,821	\$ 88,909,432	\$ 10,479,108	\$ 272,405	\$ 95,675,055	\$ 25,027,659	\$ 448,151,162	\$ 0.459202
2009-10	\$ 284,264,270	\$ 105,533,139	\$ 10,743,321	\$ 237,868	\$ 90,162,865	\$ 35,902,483	\$ 455,038,980	\$ 0.473042

Source (1) Tarrant Appraisal District

CITY OF RICHLAND HILLS, TEXAS
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
PER \$100 ASSESSED VALUATION
LAST TEN FISCAL YEARS (UNAUDITED)

TABLE 7

Fiscal Year	City of Richland Hills			Birdville Independent School District	Tarrant County	Hospital District	Junior College	Total Levy
	Operations	Debt Service	Total					
2000-01	\$0.373837	\$0.044157	\$0.417994	\$1.569800	\$0.274785	\$0.234070	\$0.106410	\$2.603059
2001-02	\$0.379386	\$0.037947	\$0.417333	\$1.569800	\$0.274785	\$0.234070	\$0.106410	\$2.602398
2002-03	\$0.375221	\$0.042112	\$0.417333	\$1.617000	\$0.272500	\$0.232400	\$0.139380	\$2.678613
2003-04	\$0.388374	\$0.040067	\$0.428441	\$1.617000	\$0.292500	\$0.235400	\$0.139580	\$2.712921
2004-05	\$0.398093	\$0.038204	\$0.436297	\$1.617000	\$0.272500	\$0.235397	\$0.139380	\$2.700574
2005-06	\$0.398218	\$0.037680	\$0.435898	\$1.617000	\$0.272500	\$0.235397	\$0.139380	\$2.700175
2006-07	\$0.401180	\$0.040914	\$0.442094	\$1.565000	\$0.271500	\$0.235397	\$0.139380	\$2.653371
2007-08	\$0.398000	\$0.052670	\$0.450670	\$1.405000	\$0.264000	\$0.227897	\$0.139600	\$2.487167
2008-09	\$0.408773	\$0.050429	\$0.459202	\$1.410000	\$0.264000	\$0.227897	\$0.137960	\$2.499059
2009-10	\$0.423707	\$0.049335	\$0.473042	\$1.405000	\$0.264000	\$0.227897	\$0.137670	\$2.507609

CITY OF RICHLAND HILLS, TEXAS
 TOP TEN TAXPAYERS
 CURRENT YEAR AND NINE YEARS AGO

TABLE 8

Taxpayer	Nature of Business	2009 Taxable Assessed Valuation*	Rank	Percentage of Total Assessed Valuation (1)	2000 Taxable Assessed Valuation*	Rank	Percentage of Total Assessed Valuation (1)
First Industrial, LP	Real Estate/Commercial	\$ 13,519,668	1	3.0%	6,877,259	3	2.0%
Southwestern Bell	Utility	9,535,951	2	2.1%	\$14,399,201	1	4.3%
CNN Churchill III	Hotel	5,751,708	3	1.3%			
E L Baker Jr LTD	Real Estate/Commercial	4,478,728	4	1.0%			
Regency Raintree	Apartments	4,250,000	5	0.9%	4,276,121	7	1.3%
Nuclear Logistics Inc.	Retailer	4,162,200	6	0.9%			
Oncor Electric Delivery Company	Utility	3,862,148	7	0.8%	3,612,841	8	1.3%
Stuart C Irby Company	Retailer	3,571,246	8	0.8%			
Composites One LLC	Retailer	3,313,557	9	0.8%			
AHC Richland Hills	Apartments	3,227,425	10	0.7%			
Rewal Corp II	Real Estate/Commercial				4,612,977	6	1.4%
U Zone Inc	Retailer				3,113,950	9	0.9%
Wal-Mart Stores, Inc	Retailer				6,561,507	4	2.0%
Hertz Equipment Rental Corp	Retailer				2,833,177	10	0.8%
Carlyle/Dr Investors, LLC	Real Estate/Commercial				8,719,768	2	2.5%
Cummins Utility	Distributor				\$ 5,762,264	5	1.7%
Total assessed value of ten largest taxpayers		\$ 55,672,631		12.1%	\$60,769,065		18.1%
Total assessed value of other taxpayers		399,366,349		87.9%	275,438,683		81.9%
Total assessed value of all taxpayers		<u>\$455,038,980</u>		<u>100.0%</u>	<u>336,207,748</u>		<u>100.0%</u>

Note: (1) Calculated based on net taxable value.

* Source: Tarrant Appraisal District
 Taxpayers assessed on January 1, 2009 (2009 tax year for the 2009-10 fiscal year)

CITY OF RICHLAND HILLS, TEXAS
 PROPERTY TAX LEVIES AND COLLECTIONS
 LAST TEN FISCAL YEARS (UNAUDITED)

TABLE 9

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Delinquent Taxes to Tax Levy</u>
2000-01	\$ 1,391,260	\$ 1,369,948	98.5%	\$ 18,294	\$ 1,388,242	99.8%	\$ 75,390	5.4%
2001-02	\$ 1,488,972	\$ 1,457,801	97.9%	\$ 22,151	\$ 1,479,952	99.4%	\$ 71,926	4.8%
2002-03	\$ 1,561,856	\$ 1,532,064	98.1%	\$ 27,069	\$ 1,559,133	99.8%	\$ 105,475	6.8%
2003-04	\$ 1,644,836	\$ 1,603,413	97.5%	\$ 23,543	\$ 1,626,957	98.9%	\$ 122,599	7.5%
2004-05	\$ 1,689,249	\$ 1,655,590	98.0%	\$ 27,702	\$ 1,683,292	99.6%	\$ 126,072	7.5%
2005-06	\$ 1,751,452	\$ 1,723,421	98.4%	\$ 26,851	\$ 1,750,272	99.9%	\$ 121,009	6.9%
2006-07	\$ 1,844,254	\$ 1,819,972	98.7%	\$ 19,966	\$ 1,839,938	99.8%	\$ 116,610	6.3%
2007-08	\$ 1,910,234	\$ 1,879,312	98.4%	\$ 17,681	\$ 1,896,993	99.3%	\$ 129,927	6.8%
2008-09	\$ 2,064,779	\$ 2,030,068	98.3%	\$ 22,357	\$ 2,052,425	99.4%	\$ 136,798	6.6%
2009-10	\$ 2,134,498	\$ 2,086,380	97.7%	\$ (9,828)	\$ 2,076,552	97.3%	\$ 162,118	7.6%

CITY OF RICHLAND HILLS, TEXAS
 TAXABLE SALES BY CATEGORY
 LAST EIGHT CALENDAR YEARS (UNAUDITED)

TABLE 10

	Calendar Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Construction	\$ 3,549,586	\$ 20,021,534	\$ 22,892,652	\$ 17,936,621	\$ 20,794,398	\$ 18,374,108	\$ 23,881,380	\$ 18,886,577
Manufacturing	6,612,753	4,423,652	7,812,855	11,187,900	10,257,696	7,914,159	6,347,714	5,661,817
Wholesale Trade	15,105,514	21,497,139	19,761,013	29,854,627	38,193,847	41,068,220	50,674,366	38,372,556
Retail Trade	15,305,478	13,340,753	11,954,491	11,342,161	10,063,701	8,905,776	8,887,046	8,542,823
Transportation/Warehousing	4,095	2,377	8,706	12,063	7,006	3,389	-	8,824
Information	1,430,793	1,619,087	790,851	2,118,919	513,669	67,028	1,085,520	5,565,666
Real Estate/Rental/Leasing	-	-	-	10,319	9,732	11,003	40,147	39,202
Professional/Scientific/Technical Services	4,231,931	2,667,761	2,346,570	2,891,198	3,963,816	4,413,397	3,306,050	3,225,222
Administrative/Waste Management/								
Remediation Services	17,968,990	41,394,904	36,258,379	24,200,832	5,720,616	44,681,341	41,635,997	43,055,087
Educational Services	2,178	-	83	5,085	282	459	-	1,721
Health Care/Social Assistance	-	-	-	-	1,761	72,425	85,876	28,975
Arts/Entertainment/Recreation	18,664	85,447	-	-	23,821	32,869	9,816	-
Accommodation/Food Services	6,247,519	6,162,115	5,881,429	5,476,129	5,520,323	5,855,259	5,918,261	5,800,883
Other Services	4,407,324	4,003,424	3,913,483	3,855,000	3,046,218	3,670,592	5,752,124	6,835,836
Other	82,100	75,154	138,434	-	-	-	-	-
Total	\$ 74,966,925	\$ 115,293,347	\$ 111,758,946	\$ 108,890,854	\$ 98,116,886	\$ 135,070,025	\$ 147,624,297	\$ 136,025,189
City direct sales tax rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

Source: Texas Comptroller of Public Accounts
 Information unavailable for years prior to 2002

CITY OF RICHLAND HILLS, TEXAS
 RATIO OF OUTSTANDING DEBT BY TYPE
 LAST TEN FISCAL YEARS (UNAUDITED)

Governmental Activities

Fiscal Year	General Obligation	Combination Tax & Revenue Certificates of Obligation	Public Property Finance Contractual Obligations	Tax Notes	Lease/Purchases
2001	\$ 240,000	1,325,000	-	-	204,178
2002	\$ 185,000	1,285,000	300,000	-	183,644
2003	\$ 125,000	1,225,000	230,000	-	-
2004	\$ 65,000	1,160,000	155,000	-	-
2005	\$ -	1,090,000	80,000	400,000	-
2006	\$ -	1,015,000	-	770,000	-
2007	\$ -	935,000	535,000	659,000	-
2008	\$ -	855,000	515,000	536,000	-
2009	\$ -	770,000	485,000	409,000	-
2010	\$ -	680,000	455,000	278,000	-

TABLE 11

Business-type Activities									Per Capita Debt as Percent of Per Capita Income
Revenue Bonds	Combination Tax & Revenue Certificates of Obligation	Lease/ Purchases	Total Government-wide Indebtedness	Estimated Population	Total Debt per Capita	Per Capita Income			
\$ 125,000	3,620,000	-	\$ 5,514,178	n/a	\$ n/a	n/a			n/a
\$ 2,000,000	3,480,000	-	\$ 7,433,644	n/a	\$ n/a	n/a			n/a
\$ 1,975,000	3,335,000	-	\$ 6,890,000	n/a	\$ n/a	n/a			n/a
\$ 1,910,000	3,180,000	-	\$ 6,470,000	8,300	\$ 779.52	20,247			3.85%
\$ 1,840,000	3,020,000	-	\$ 6,430,000	8,300	\$ 774.70	20,247			3.83%
\$ 1,765,000	2,850,000	-	\$ 6,400,000	8,300	\$ 771.08	20,247			3.81%
\$ 1,690,000	4,780,000	423,513	\$ 9,022,513	8,300	\$ 1,087.05	20,247			5.37%
\$ 1,610,000	4,515,000	384,306	\$ 8,415,306	8,350	\$ 1,007.82	20,247			4.98%
\$ 1,525,000	4,245,000	343,336	\$ 7,777,336	8,350	\$ 931.42	20,247			4.60%
\$ 1,435,000	6,710,000	300,521	\$ 9,858,521	8,094	\$ 1,218.00	22,682			5.37%

CITY OF RICHLAND HILLS, TEXAS
 RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND
 NET GENERAL BONDED DEBT PER CAPITA
 LAST TEN FISCAL YEARS (UNAUDITED)

TABLE 12

Fiscal Year	Estimated Population **	Assessed Value *(1)	Gross Bonded Debt	Less Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2000-01	8,500	336,207,748	240,000	21,754	218,246	0.06%	25.68
2001-02	8,500	\$ 357,098,857	\$ 485,000	\$ 37,111	\$ 447,889	0.13%	52.69
2002-03	8,132	\$ 372,099,044	\$ 355,000	\$ 44,807	\$ 310,193	0.08%	38.14
2003-04	8,132	\$ 386,696,319	\$ 220,000	\$ 48,976	\$ 171,024	0.04%	21.03
2004-05	8,300	\$ 387,178,708	\$ 480,000	\$ 50,235	\$ 429,765	0.11%	51.78
2005-06	8,300	\$ 406,367,119	\$ 770,000	\$ 49,069	\$ 720,931	0.18%	86.86
2006-07	8,300	\$ 418,718,079	\$ 1,194,000	\$ 75,409	\$ 1,118,591	0.27%	134.77
2007-08	8,300	\$ 423,747,811	\$ 1,051,000	\$ 100,322	\$ 950,678	0.22%	114.54
2008-09	8,300	\$ 448,151,162	\$ 894,000	\$ 132,211	\$ 761,789	0.17%	91.78
2009-10	8,094	\$ 455,038,980	\$ 733,000	\$ 134,841	\$ 598,159	0.13%	73.90

*Source: Tarrant Appraisal District

**Source: North Central Texas Council of Governments

Note: (1) Excludes revenue bonds

CITY OF RICHLAND HILLS, TEXAS
 RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT
 TO GENERAL EXPENDITURES
 LAST TEN FISCAL YEARS (UNAUDITED)

TABLE 13

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest and Fees</u>	<u>Total Debt Service</u>	<u>Total General Expenditures (1)</u>	<u>Ratio of Debt Service to Total General Expenditures</u>
2000-01	149,348	30,425	179,773	5,421,839	3.32%
2001-02	\$ 165,534	\$ 117,760	\$ 283,294	\$ 5,629,069	5.03%
2002-03	\$ 373,664	\$ 100,380	\$ 474,044	\$ 5,672,587	8.36%
2003-04	\$ 200,000	\$ 75,603	\$ 275,603	\$ 5,234,514	5.27%
2004-05	\$ 210,000	\$ 66,662	\$ 276,662	\$ 6,212,130	4.45%
2005-06	\$ 200,000	\$ 78,471	\$ 278,471	\$ 5,697,543	4.89%
2006-07	\$ 191,000	\$ 83,867	\$ 274,867	\$ 5,626,696	4.89%
2007-08	\$ 223,000	\$ 99,393	\$ 322,393	\$ 6,810,716	4.73%
2008-09	\$ 242,000	\$ 79,663	\$ 321,663	\$ 6,598,453	4.87%
2009-10	\$ 251,000	\$ 71,249	\$ 322,249	\$ 7,556,434	4.26%

Notes: (1) Includes general, special revenue, debt service, and capital projects funds

TABLE 14

CITY OF RICHLAND HILLS, TEXAS
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 SEPTEMBER 30, 2010 (UNAUDITED)

<u>Name of Government</u>	<u>General Bonded Debt Outstanding</u>	<u>Percentage Applicable to City of Richland Hills</u>	<u>Amount Applicable to City of Richland Hills</u>
City of Richland Hills	\$ 733,000	100.00%	\$ 733,000
Total direct debt			\$ 733,000
Birdville Independent School District	237,995,201	7.40%	\$ 17,611,645
Tarrant County Junior College	36,495,000	0.66%	240,867
Tarrant County Hospital District	66,490,000	0.66%	438,834
Tarrant County	\$ 322,210,000	0.66%	2,126,586
Total overlapping debt			\$ 20,417,932
Total direct and overlapping debt			\$ 21,150,932

CITY OF RICHLAND HILLS, TEXAS
 SCHEDULE OF REVENUE BOND COVERAGE
 LAST TEN FISCAL YEARS (UNAUDITED)

TABLE 15

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2000-01	\$ 3,059,917	\$ 2,344,708	\$ 715,209	\$ 290,000	\$ 142,406	\$ 432,406	1.65
2001-02	\$ 2,908,087	\$ 2,406,832	\$ 501,255	\$ 265,000	\$ 131,971	\$ 396,971	1.26
2002-03	\$ 2,927,497	\$ 2,393,652	\$ 533,845	\$ 170,000	\$ 272,333	\$ 442,333	1.21
2003-04	\$ 2,871,929	\$ 2,458,949	\$ 412,980	\$ 220,000	\$ 222,484	\$ 442,484	0.93
2004-05	\$ 3,108,905	\$ 2,616,366	\$ 492,539	\$ 230,000	\$ 213,775	\$ 443,775	1.11
2005-06	\$ 3,343,333	\$ 2,660,354	\$ 682,979	\$ 245,000	\$ 204,527	\$ 449,527	1.52
2006-07	\$ 2,944,485	\$ 2,889,517	\$ 54,968	\$ 309,678	\$ 225,955	\$ 535,633	0.10
2007-08	\$ 3,184,647	\$ 2,833,896	\$ 350,751	\$ 384,207	\$ 284,618	\$ 668,825	0.52
2008-09	\$ 3,175,817	\$ 2,865,189	\$ 310,628	\$ 395,971	\$ 269,079	\$ 665,050	0.47
2009-10	\$ 3,316,466	\$ 3,158,012	\$ 158,454	\$ 417,814	\$ 252,796	\$ 670,610	0.24

Notes: (1) Includes operating revenue, interest on investments, loss on sale and/or gain on disposal of property, plant, and equipment

(2) Excludes depreciation

CITY OF RICHLAND HILLS, TEXAS
Computation of Legal Debt Margin
September 30, 2010 (Unaudited)

Article XI, Section 5 of the State of Texas Constitution states in part:

"...no tax for any purpose shall ever be lawful for any one year, which shall exceed two and one-half percent of the taxable property of such city."

As a home rule city, the City of Richland Hills is not limited by the law in the amount of debt it may issue. The City's charter provides that general property taxes are limited to \$1.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation bonds.

The tax rate for fiscal year 2010 was established at \$.473042 per \$100 of assessed valuation based on 100% of appraised value.

CITY OF RICHLAND HILLS, TEXAS
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST SEVEN FISCAL YEARS (UNAUDITED)

Table 17

<u>Year</u>	<u>Estimated Population</u>	<u>Median Household Income</u>	<u>Per Capita Personal Income</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2004	8132	\$ 43,377	\$ 20,247	22,449	3.8%
2005	8300	\$ 43,377	\$ 20,247	22,297	4.5%
2006	8300	\$ 43,377	\$ 20,247	22,482	4.2%
2007	8300	\$ 43,377	\$ 20,247	22,488	3.8%
2008	8350	\$ 43,377	\$ 20,247	21,926	5.8%
2009	8350	\$ 43,377	\$ 20,247	22,505	8.0%
2010	8094	\$ 46,918	\$ 22,682	22,803	8.0%

Sources: U.S. Census Bureau, North Central Texas Council of Governments,
 Texas Workforce Commission, Birdville ISD.

Information unavailable for years prior to 2004

CITY OF RICHLAND HILLS, TEXAS
 PRINCIPAL EMPLOYERS
 CURRENT YEAR AND NINE YEARS AGO

TABLE 18

<u>Name of Company</u>	<u>Nature of Business</u>	<u>2010 Number of Employees</u>	<u>Rank</u>	<u>2010 Percentage of total City Employment</u>	<u>2001 Number of Employees</u>	<u>Rank</u>	<u>2001 Percentage of total City Employment</u>
Birdville ISD (3 Schools)	Independent School District	196	1	3.8%	150	2	1.9%
Harris Packaging	Corrugated Boxes	135	2	2.6%			
Nuclear Logistics	Chemical Engineering Services	100	3	2.0%			
City of Richland Hills	Municipality	87	4	1.7%	81	8	1.0%
Richland Hills Nursing Home	Nursing and Personal Care	73	5	1.4%	85	9	1.1%
Royal Bath	Plastic Plumbing Fixture Manufacturing	72	6	1.4%			
Trugreen Chemlawn	Landscape and Horticulture	60	7	1.2%	65	10	0.8%
Alterra Healthcare Corporation	Nursing and Personal Care	60	8	1.2%			
Atlantic Air	Heating and Air Conditioning Equipment	55	9	1.1%			
Lexington Place Nursing and Rehabilitation Services	Nursing and Personal Care	104	10	2.0%			
Dyna Ten Company	Plumbing, Heating & Air Conditioning				275	1	3.5%
Nesbitt Building Maintenance Inc	Cleaning, Maintenance Service				125	3	1.6%
Hamilton Form Company	Industrial Machinery and Equipment				100	4	1.3%
Security Link	Business Services, Miscellaneous				100	5	1.3%
Harris Packaging	Corrugated Boxes				90	6	1.1%
Dynamo Limited	Video Games Manufacturer				85	7	1.1%
		<u>942</u>		<u>18.5%</u>	<u>1156</u>		<u>14.5%</u>

Source: City Records
 North Central Texas Council of Governments

CITY OF RICHLAND HILLS, TEXAS
 OPERATING INDICATORS BY FUNCTION/PROGRAM
 LAST SEVEN FISCAL YEARS (UNAUDITED)

Table 19

<u>Function/Program</u>	<u>Fiscal Year</u>						
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Police							
Physical Arrests	702	699	621	683	500	503	597
Number of law violations	555	470	271	539	3,396	3,885	3,511
Fire							
Number of fire runs	595	569	475	613	612	541	543
Number of EMS runs	1,064	1,252	897	807	845	813	920
Public Works - Streets							
Street Resurfacing (miles)	0.5	0.6	0.5	0.3	0.3	0.2	1.35
Potholes repaired	130	132	128	134	118	123	123
Public Works - Water/Wastewater							
New Connections	293	374	396	477	468	453	414
Water main breaks	22	19	24	23	26	25	43
Average daily consumption (thousand of gallons)	893	1,023	831	806	925	921	836
Peak daily consumption (thousand of gallons)	0.976	1.13	1.43	1.22	1.8	1.61	1.552
Average daily sewer treatment (thousands of gallons)	991	1,120	977	1,381	902	880	1,499
Library							
Volumes collection	37,042	38,858	38,476	38,721	39,393	37,954	37,562
Total volumes borrowed	48,300	45,816	41,544	35,004	40,056	42,288	36,398

Information unavailable for years prior to 2004

Sources: Various City Departments

CITY OF RICHLAND HILLS, TEXAS
 CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 LAST SEVEN FISCAL YEARS (UNAUDITED)

Table 20

Function/Program	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
Police							
Stations	1	1	1	1	1	1	1
Patrol Units	10	10	11	11	11	11	11
Fire							
Stations	1	1	1	1	1	1	1
Fire Trucks	2	2	2	2	2	2	2
Ambulances	1	1	1	1	1	1	1
Public Works - Streets							
Streets (miles)	43.51	43.51	43.51	43.51	43.51	43.51	43.51
Streetlights	462	462	462	462	462	462	462
Traffic Signals	9	9	9	9	9	9	9
Public Works - Water/Wastewater							
Water mains (miles)	47	47	47	47	47	47	47
Fire Hydrants	350	350	350	350	350	350	350
Storage capacity (thousand of gallons)	2360	2360	2360	2360	2360	2360	2360
Sanitary Sewer (miles)	60	60	60	60	60	60	60
Storm sewers (miles)	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Culture and Recreation							
Parks	4	4	4	4	4	4	4
Parks acreage	12.1	12.1	12.1	12.1	12.1	12.1	12.1
Community Center	1	1	1	1	1	1	1
Playgrounds	3	3	3	3	3	3	3

Information unavailable for years prior to 2004

Sources: Various City Departments

CITY OF RICHLAND HILLS

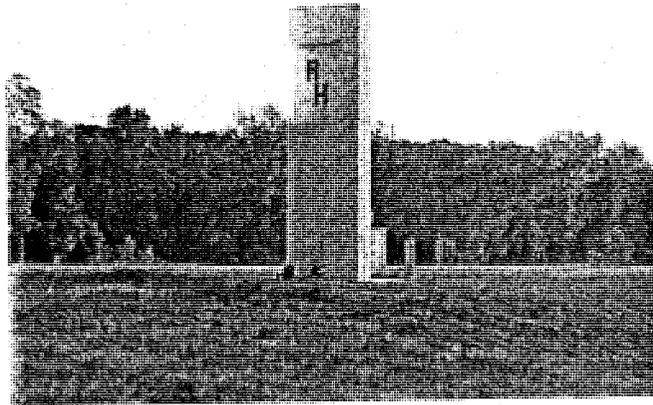
CITY OF RICHLAND HILLS, TEXAS
 FULL -TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 NET GENERAL BONDED DEBT PER CAPITA
 LAST TEN FISCAL YEARS (UNAUDITED)

Table 21

Function/Program	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government										
Aministration	5	5	5	5	5	6	6	6	6	6
City Secretary	1	1	1	1	1	1	1	1	1	1
Community Development	3	3	3	3	3	2	2	2	2	3
Economic Development	1	1	1	1	1	0	0	0	1	1
Animal Services	1	2	2	2	2	2	2	2	2	2
Public Safety										
Police	26	26	26	27	27	29	29	29	29	29
Fire	17	17	17	17	17	17	17	17	17	17
Municipal Court	3	3	3	3	3	3	3	3	3	3
Streets	3	3	3	3	3	2	3	3	3	3
Culture and Recreation										
Library	7	7	7	7	7	7	7	7	7	7
Community Center	1	1	1	1	1	1	1	1	1	1
Water and Sewer										
Drainage	2	2	2	2	2	2	2	2	2	2
Total	<u>81</u>	<u>81</u>	<u>81</u>	<u>82</u>	<u>82</u>	<u>82</u>	<u>83</u>	<u>83</u>	<u>84</u>	<u>85</u>

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OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION



Richland Hills, *We're in the middle of things...*

HENRY T. GEORGE - CPA
STEVE D. MORGAN - CPA
(1925-1994)
PETER H. MORGAN - CPA
PATRICK E. SNEED - CPA
JAMES E. SLEDGE - CPA
ROY D. STONE - CPA
NEREO R. MATIAS - CPA



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TEXAS SOCIETY
OF CERTIFIED
PUBLIC ACCOUNTANTS

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

To the City Council
City of Richland Hills, Texas

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Richland Hills, Texas (the "City") as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 23, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

(817) 594-2704
(817) 596-4896
FAX (817) 599-7389

1849 WALL STREET
WEATHERFORD, TEXAS 76086

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1959

Compliance and Other Matters

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

However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City of Richland Hills, Texas in a separate letter dated March 23, 2011.

This report is intended solely for the information and use of the management, others within the organization, and City Council and is not intended to be and should not be used by anyone other than these specified parties.

George Morgan Freed, P.C.

Weatherford, Texas
March 23, 2011

