



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

**FOR THE YEAR ENDED
SEPTEMBER 30, 2013**

CITY OF RICHLAND HILLS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013
TABLE OF CONTENTS

	<u>Page Number</u>
 INTRODUCTORY SECTION	
Letter of Transmittal.....	i – iii
GFOA Certificate of Achievement	iv
List of Principal Officials	v
Organizational Chart	vi
 FINANCIAL SECTION	
Independent Auditors’ Report.....	1 – 3
Management’s Discussion and Analysis	4 – 17
 Basic Financial Statements	
<u>Government-wide Financial Statements</u>	
Statement of Net Position.....	18
Statement of Activities	19 – 20
 <u>Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	21
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	22

CITY OF RICHLAND HILLS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013
(Continued)
TABLE OF CONTENTS

	<u>Page Number</u>
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Statement of Net Position – Proprietary Funds	25
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	26
Statement of Cash Flows – Proprietary Funds	27 – 28
Notes to the Financial Statements	29 – 54
Required Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	55
Texas Municipal Retirement System Schedule of Funding Progress.....	56
Notes to Required Supplementary Information.....	57

CITY OF RICHLAND HILLS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013
(Continued)
TABLE OF CONTENTS

	<u>Page</u> <u>Number</u>
Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Funds	
Combining Balance Sheet	58 – 59
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	60 – 61
Special Revenue Funds	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual –	
Development Corporation	62
Crime Control District	63
Red Light Camera Enforcement.....	64
Hotel Occupancy Tax	65
Debt Service Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	66
Capital Projects Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual –	
Road and Street.....	67
2001 Certificates of Obligation	68
Oil and Gas Lease.....	69

CITY OF RICHLAND HILLS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013
(Continued)
TABLE OF CONTENTS

	<u>Table</u>	<u>Page</u> <u>Number</u>
STATISTICAL SECTION		
Net Position by Component	1	70 – 71
Changes in Net Position	2	72 – 75
Fund Balances – Governmental Funds	3	76
Changes in Fund Balances – Governmental Funds	4	77 – 78
General Governmental Tax Revenues by Source.....	5	79
Appraised and Taxable Value Property (1)	6	80
Property Tax Rates – Direct and Overlapping Governments.....	7	81
Top Ten Taxpayers.....	8	82
Property Tax Levies and Collections	9	83
Taxable Sales by Category	10	84 – 85
Ratios of Outstanding Debt by Type	11	86 – 87
Ratios of General Bonded Debt Assessed Value and Net General Bonded Debt Per Capita	12	88
Ratio of Annual Debt Service Expenditures for General Bonded Debt to General Expenditures	13	89
Computation of Direct and Overlapping Debt	14	90

CITY OF RICHLAND HILLS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013
(Continued)
TABLE OF CONTENTS

	<u>Table</u>	<u>Page Number</u>
Schedule of Revenue Bond Coverage	15	91
Computation of Legal Debt Margin.....	16	92
Demographic and Economic Statistics	17	93
Principal Employers	18	94
Operating Indicators by Function/Program	19	95
Capital Asset Statistics by Function/Program	20	96
Fulltime Equivalent City Government Employers By Function/Program	21	97

COMPLIANCE SECTION

Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		98 – 99
Independent Auditors’ Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133		100 – 101
Schedule of Expenditures of Federal Awards		102
Notes to Schedule of Expenditures of Federal Awards.....		103
Schedule of Findings and Questioned Costs		104
Summary Schedule of Prior Audit Findings.....		105 – 106

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INTRODUCTORY SECTION

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CITY OF RICHLAND HILLS, TEXAS

3200 DIANA DRIVE · RICHLAND HILLS, TX 76118

March 26, 2014

The Honorable Mayor, Members of the City Council,
and Citizens of Richland Hills (the "City")

Submitted herewith is the Comprehensive Annual Financial Report (CAFR) of the City of Richland Hills, Texas, for the fiscal year ended September 30, 2013. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operation of the City, on a Government-wide and Fund basis. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Governmental Accounting Standards Board (GASB) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditor's report.

The Reporting Entity

The City of Richland Hills is a political subdivision of the State, incorporated as a municipal corporation in 1950. The City operates under the laws of the State and the City's home rule charter, approved by the citizens in 1985 as a council-manager form of government. Policy-making and legislative authority are vested in a governing city council consisting of the mayor and five other members. The city council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the government's city manager. The city manager is responsible for carrying out the policies and ordinances of the 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 community at large. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. The City of Richland Hills voters approved a one percent local sales and use tax at an election held on December 5, 1967.

The City provides a full range of municipal services that include police and fire protection, emergency medical services, animal control services, municipal court, construction and maintenance of streets and drainage infrastructure, planning and zoning, economic development, code enforcement, library services, parks and recreational activities and cultural events, and general administrative services. Water and wastewater services and sanitation services are provided as an operation of the City and therefore have been included as an integral part of the City's financial statements. The Richland Hills Development Corporation (a Type B Economic Development Corporation) and Richland Hills Crime Control and Prevention District are legally separate entities but are in substance part of the government's operation and are included in the CAFR.

Economic Outlook and Financial Condition

Richland Hills is situated Northeast Tarrant County in the middle of the Dallas / Fort Worth Metroplex, the major metropolitan area in the north central part of the state, and is approximately 7 miles from downtown Fort Worth, 30 miles from downtown Dallas, and is approximately 15 from DFW International Airport. Richland Hills is served by three state-numbered highways, SH 121, SH 26, and SH 10 (Baker Blvd. in Richland Hills), as well as the Trinity Railway Express (TRE), a commuter rail line between Fort Worth and Dallas operated jointly by Dallas Area Rapid Transit (DART) and the Fort Worth Transit Authority (The T). The Richland Hills occupies a land area of 3.9 square miles, is approximately 98% developed, and serves a population of 7,800.

In 2013, Richland Hill's experienced a 5% increase in assessed taxable value due to an increase in commercial property valuation and upward trend in economic recovery. The property tax base remains diverse with the top ten taxpayers accounting for 12.3% of the total assessed value. Property tax and sales tax revenue are the City's principal income sources. Property tax revenues account for 39.30% of budgeted revenues and sales tax account for 31.36% of budgeted revenues for the general fund. Richland Hills continues to support an aggressive marketing campaign to attract commercial development in the City. 2013 was a banner year for economic development projects in Richland Hills. The city welcomed 52 new businesses and is now home to more than 405 businesses of all sizes and industries, including industrial, retail, restaurants, office parks, and services.

Accounting System and Budgetary Control

To provide a reasonable basis for making these representations, the City 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's financial statements in conformity with generally accepted accounting principles (GAAP) for local governments, as prescribed by the Governmental Accounting Standards Board (GASB) and other recognized professional standards. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that assets are safeguarded and that the financial statements will be free from material misstatement.

The City's accounting records for general governmental operations are maintained on a modified accrual basis. Under this method of accounting, expenditures are recognized when the services or goods are received and the liability is incurred. Revenues are recognized when measurable and available. Accounting records for the proprietary funds are maintained on the accrual basis.

The annual budget serves as the foundation for the City's financial planning and control. All City departments are required to submit requests for appropriation to the city manager in May of each year. The city manager uses these requests as the starting point for developing a proposed budget. The city 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's fiscal year. The appropriated budget is prepared by fund and department. The city 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 Council.

Independent Audit

The Richland Hills City Charter requires an annual audit by an independent certified public accountant. Pattillo, Brown & Hill, L.L.P., a firm of licensed certified public accountants, was selected by the City Council to audit the City's financial statements. The audit report will be available for public inspection and the original copy will be kept as a permanent record of the City.

The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2013, 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's financial statements for the fiscal year ended September 30, 2013, 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.

Awards

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, 2012. 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 City of Richland Hills has received the Certificate of Achievement for the past thirteen years.

Acknowledgments

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,



Barbara Mann
Finance/Accounting Manager



Government Finance Officers Association

**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, 2012

Executive Director/CEO

CITY OF RICHLAND HILLS, TEXAS

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2013

CITY COUNCIL

Bill Agan, Mayor

Roland Goveas, Place 1

Toya Norton, Place 2

Robert DeSoto, Place 3

Beverly Williams, Place 4

Edward Lopez, Mayor Pro Tem, Place 5

CITY STAFF

Curtis Hawk, City Manager

Eric Strong, Assistant City Manager

Barbara Childress, Chief of Police

William Bell, Fire Chief

Michael Barnes, Director of Public Works

Lisa Wood, Library Director

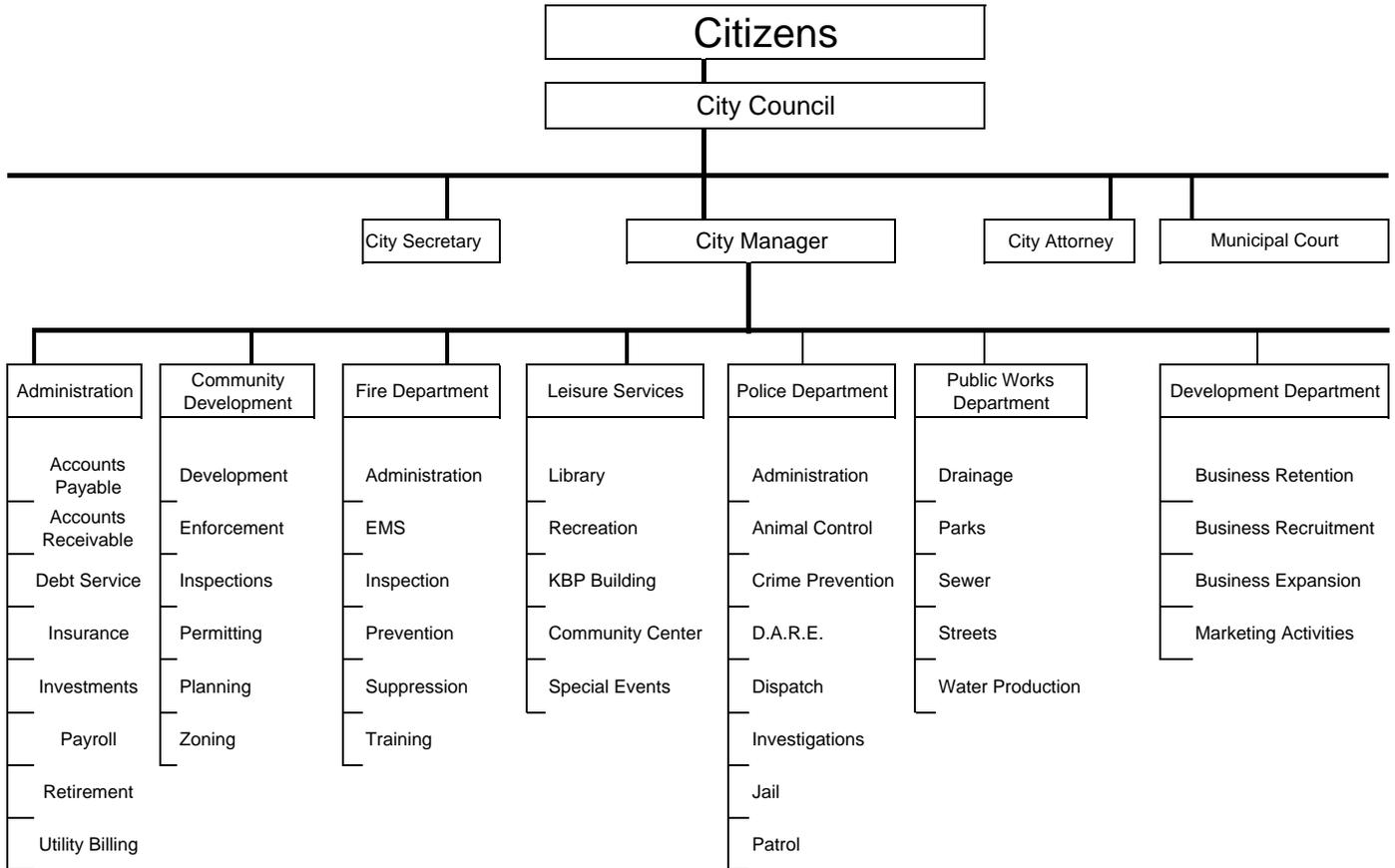
Linda Cantu, City Secretary

Alicia St. Cyr, Municipal Court Clerk

Liz Kennedy, Administrative Assistant

Barbara J. Mann, Finance/Accounting Manager

CITY OF RICHLAND HILLS ORGANIZATION CHART



FINANCIAL SECTION

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PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Richland Hills, Texas (the "City"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget and Actual—General Fund, and the Schedule of Funding Progress for Participation in the Texas Municipal Retirement System be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Waco, Texas
March 26, 2014

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**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Richland Hills, Texas, we offer readers of the City of Richland Hills' financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2013. 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 exceeded its liabilities at the close of the most recent fiscal year by \$24,171,909 (net position) compared to \$21,413,116 for the prior year. Of this amount, \$6,052,447 represents unrestricted net position that may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$2,758,793. The City's governmental activities net position increased by \$1,489,548 and the business-type activities net position increased by \$1,269,245.
- At the close of the current year, the City of Richland Hills' governmental funds reported combined ending fund balances of \$3,376,923 compared to \$3,863,644 for the prior year. Approximately \$1,509,091 is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current year, unassigned fund balance for the General Fund was \$1,549,578, or 26% of total General Fund expenditures.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will 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 pages 18 through 20 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. Unlike the government-wide financial statements, however, 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 the City's near-term financing requirements.

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

The City maintains 12 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General 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 pages 21 through 24 of this report.

Proprietary funds. Proprietary funds can be further classified into two different types of funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses Enterprise Funds to account for its water and sewer operations 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 proprietary fund financial statements can be found on pages 25 through 28 of this report.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information can be found on pages 55 through 57 of this report.

The individual major governmental funds and combining and individual nonmajor governmental funds are presented immediately following the required supplementary information. These statements can be found on pages 58 through 69 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$24,171,909 as of September 30, 2013.

The largest portion of the City's net position (70%) 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 position (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$6,052,447 may be used to meet the City'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 position for the government as a whole, as well as for its separate governmental activities.

Following are summaries of the City's statement of net position and statement of activities.

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 5,084,410	\$ 5,393,418	\$ 10,562,326	\$ 4,299,237	\$ 15,646,736	\$ 9,692,655
Capital assets	<u>10,980,299</u>	<u>8,840,320</u>	<u>13,820,277</u>	<u>13,417,510</u>	<u>24,800,576</u>	<u>22,257,830</u>
Total assets	<u>16,064,709</u>	<u>14,233,738</u>	<u>24,382,603</u>	<u>17,716,747</u>	<u>40,447,312</u>	<u>31,950,485</u>
Current liabilities	834,849	619,134	464,173	664,056	1,299,022	1,283,190
Long-term liabilities	<u>1,965,625</u>	<u>1,839,917</u>	<u>13,010,756</u>	<u>7,414,262</u>	<u>14,976,381</u>	<u>9,254,179</u>
Total liabilities	<u>2,800,474</u>	<u>2,459,051</u>	<u>13,474,929</u>	<u>8,078,318</u>	<u>16,275,403</u>	<u>10,537,369</u>
Net position:						
Net investment,						
in capital assets	9,777,284	7,603,080	7,096,222	6,893,293	16,873,506	14,496,373
Restricted	1,245,956	1,811,780	-	-	1,245,956	1,811,780
Unrestricted	<u>2,240,995</u>	<u>2,359,827</u>	<u>3,811,452</u>	<u>2,745,136</u>	<u>6,052,447</u>	<u>5,104,963</u>
Total net position	<u>\$ 13,264,235</u>	<u>\$ 11,774,687</u>	<u>\$ 10,907,674</u>	<u>\$ 9,638,429</u>	<u>\$ 24,171,909</u>	<u>\$ 21,413,116</u>

Changes in Net Position

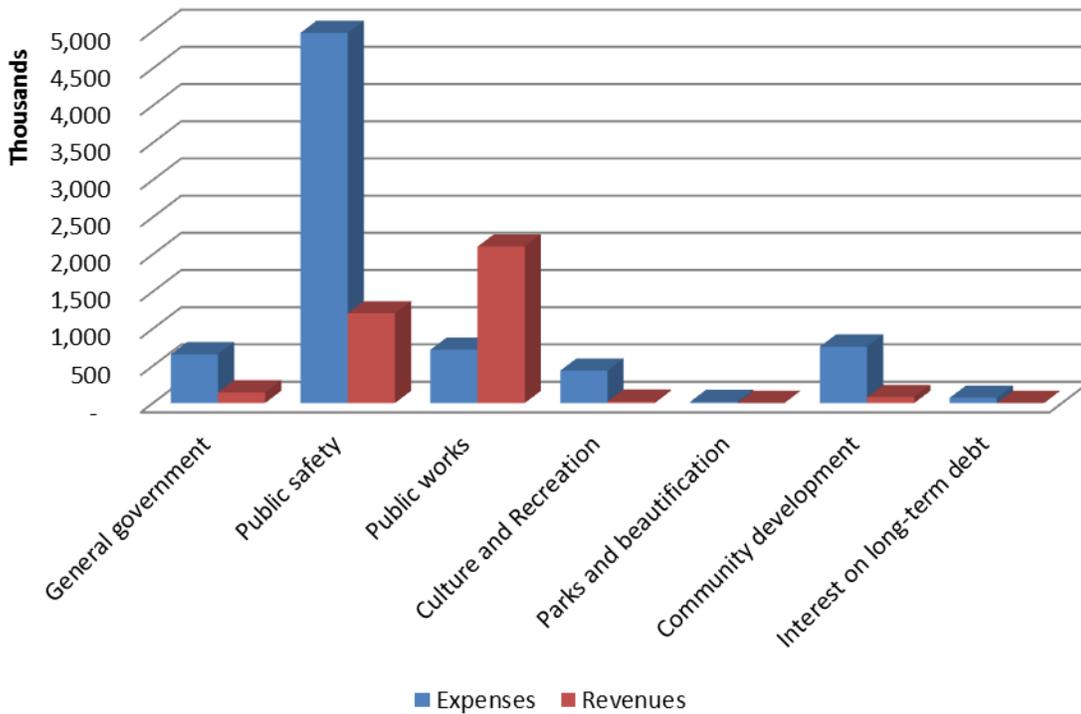
	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 1,281,205	\$ 1,040,455	\$ 4,933,914	\$ 5,058,622	\$ 6,215,119	\$ 6,099,077
Operating grants and contributions	382,669	377,544	-	-	382,669	377,544
Capital grants and contributions	1,885,625	280,848	-	-	1,885,625	280,848
General revenues:						
Property taxes	2,174,946	2,204,507	-	-	2,174,946	2,204,507
Sales taxes	2,743,469	3,077,839	-	-	2,743,469	3,077,839
Franchise taxes	471,759	651,374	-	-	471,759	651,374
Hotel occupancy taxes	194,967	182,112	-	-	194,967	182,112
Investment earnings	2,076	2,416	4,141	4,618	6,217	7,034
Miscellaneous	8,513	12,053	6,233	7,925	14,746	19,978
Transfers	(57,091)	(116,198)	57,091	116,198	-	-
Total revenues	<u>9,116,816</u>	<u>7,712,950</u>	<u>5,001,379</u>	<u>5,187,363</u>	<u>14,118,195</u>	<u>12,900,313</u>
Expenses:						
General government	654,916	628,950	-	-	654,916	628,950
Public safety	4,977,046	4,903,622	-	-	4,977,046	4,903,622
Public works	716,031	1,211,553	-	-	716,031	1,211,553
Culture and recreation	435,470	389,982	-	-	435,470	389,982
Parks and beautification	15,628	34,013	-	-	15,628	34,013
Community development	757,894	614,100	-	-	757,894	614,100
Interest on long-term debt	70,283	79,132	-	-	70,283	79,132
Water sewer	-	-	3,183,727	3,647,012	3,183,727	3,647,012
Drainage utility	-	-	548,407	328,298	548,407	328,298
Total expenses	<u>7,627,268</u>	<u>7,861,352</u>	<u>3,732,134</u>	<u>3,975,310</u>	<u>11,359,402</u>	<u>11,836,662</u>
Increase (decrease) in net position	1,489,548	(148,402)	1,269,245	1,212,053	2,758,793	1,063,651
Net position, beginning	11,774,687	11,923,089	9,638,429	8,426,376	21,413,116	20,349,465
Change in accounting estimate	-	-	-	-	-	-
Net position, beginning, as restated	<u>11,774,687</u>	<u>11,923,089</u>	<u>9,638,429</u>	<u>8,426,376</u>	<u>21,413,116</u>	<u>20,349,465</u>
Net position, ending	<u>\$ 13,264,235</u>	<u>\$ 11,774,687</u>	<u>\$ 10,907,674</u>	<u>\$ 9,638,429</u>	<u>\$ 24,171,909</u>	<u>\$ 21,413,116</u>

Governmental activities. Governmental activities increased the City's net position by \$1,489,548 in the current year compared with a \$(148,402) decrease in the prior year. Total governmental activities revenues increased \$1,403,866 (18%) to \$9,116,816. Total governmental activities expenses decreased \$(234,084) (-3.0%) from the prior year. Key elements of these changes are as follows:

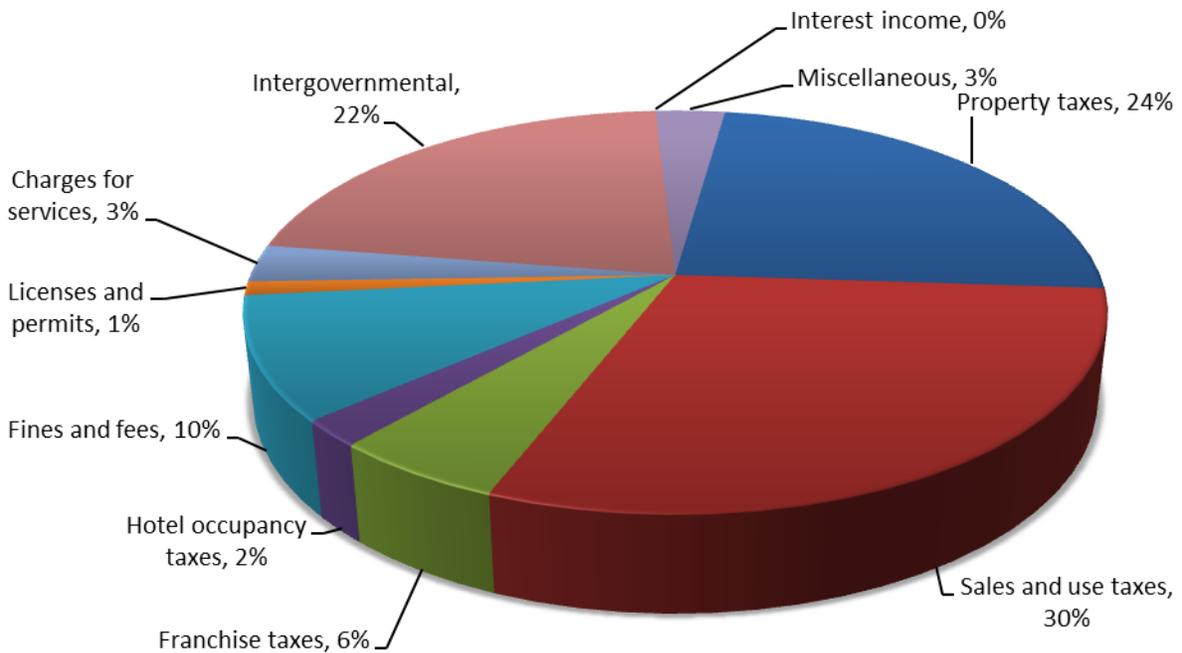
- The Capital Grant Safe Routes to School infrastructure program started in 2013. Total expense for this program totaled \$1,754,485.
- Property Tax revenue decreased due to a rate decrease from \$.551757 in 2012 to \$.528094.
- Capital grants and contributions increased \$1,604,777, or 571%, due to an increase in the Safe Routes to School Grant Program.

Below are two graphs summarizing governmental activities revenues and expenses:

Expenses and Program Revenues - Governmental Revenues



Governmental Activities - Revenues by Source

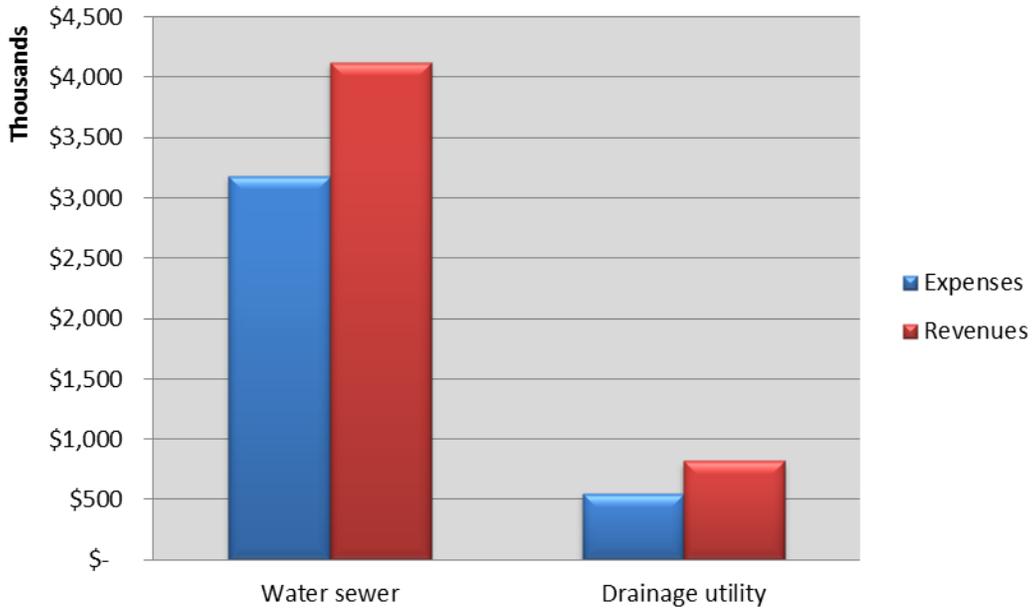


Business-type activities. Business-type activities increased the City's net position by \$1,269,245 in the current year compared to an increase in net position of \$1,212,053 in the prior year. The business-type activities total revenues decreased \$185,984 (4%) to \$5,001,379, and total expenses decreased \$243,176 (6%) to \$3,732,134. Key elements of these changes are as follows:

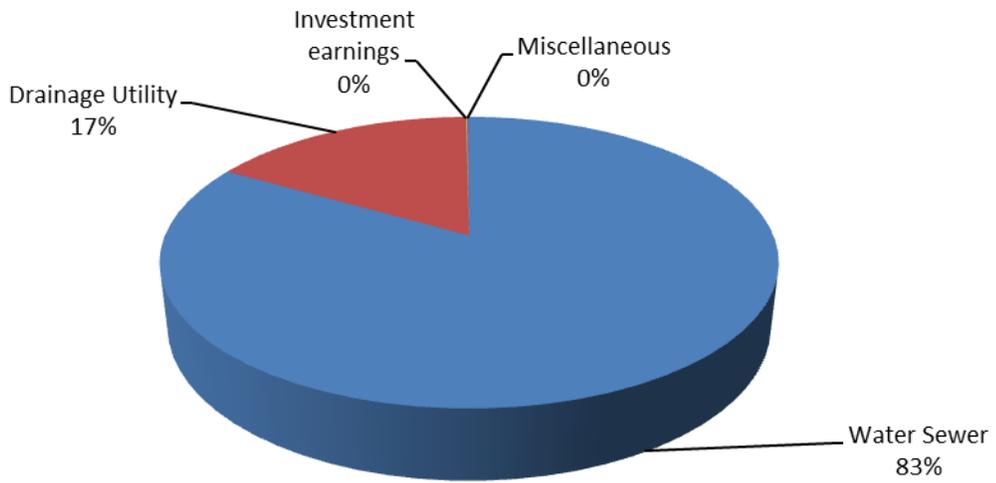
- Charges for services decreased \$124,708 due to a decrease in water consumption.
- The water purchased from the City of Fort Worth decreased \$30,542 due to a decrease in the amount of water purchased. Water purchased in 2012 totaled 271,996,420 gallons where the 2013 total reached 269,421,400 gallons.
- Fort Worth wastewater charged decreased from \$250,441 to \$247,207. Charges from Hurst increased from \$90,522 to \$110,105.
- Drainage System expense decreased due to decrease in drainage system maintenance and operation expense.

Below are two graphs summarizing business-type activities revenues and expenses:

Expenses and Program Revenues - Business-type Activities



Business-Type Revenues by Source



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, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

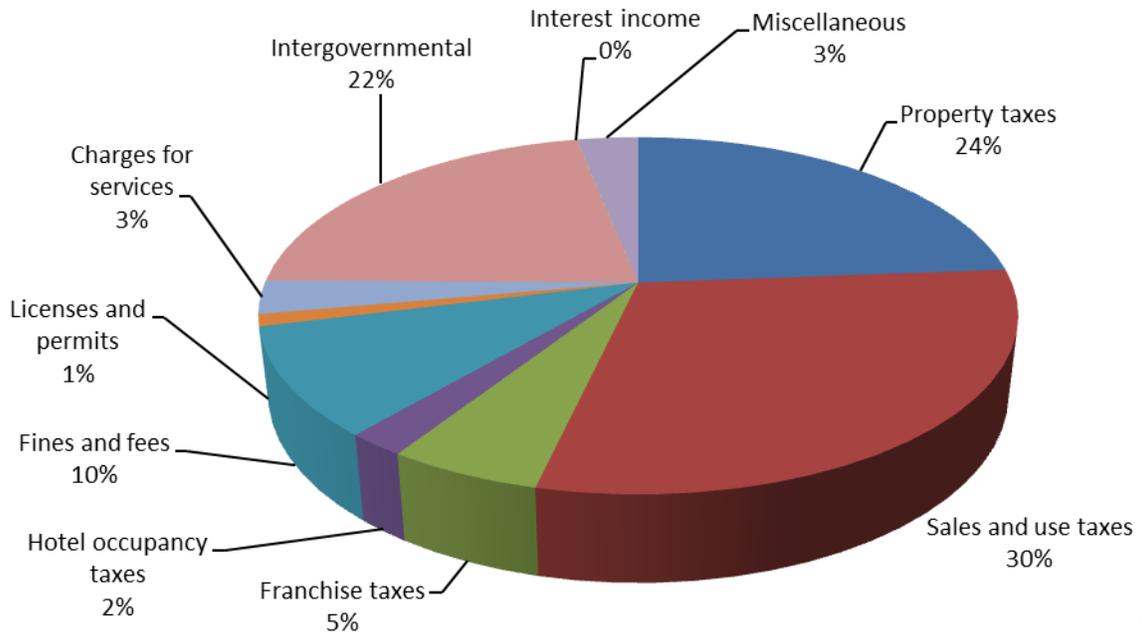
At year-end, the City's governmental funds reported combined ending fund balances of \$3,376,923. \$1,509,091 (45%) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted or committed to indicate that it is not available for new spending because of external and internal restrictions on its use.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,549,578. Fund balance of the General Fund decreased \$86,173 compared to an increase of \$251,696 in the prior year. Key factors in this decrease are as follows:

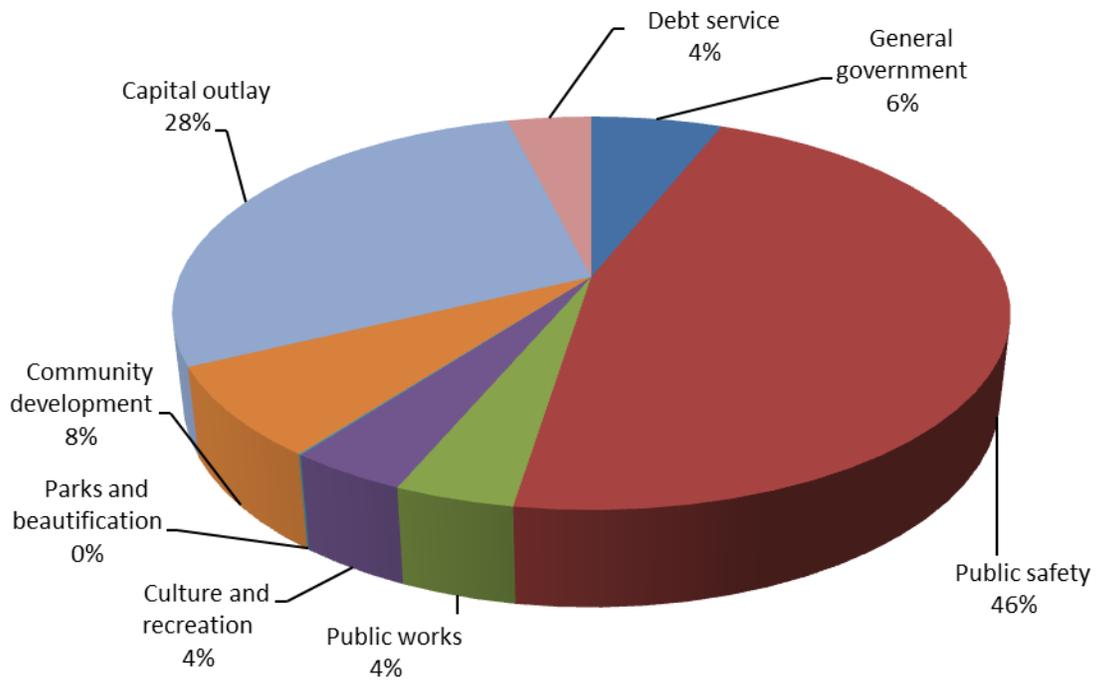
- Revenues increased \$1,403,866 (18.2%). General Fund property taxes decreased \$29,561 due to a decrease in the property tax rate. Sales and franchise taxes decreased \$334,370. Capital grants and contributions increased \$1,604,777.
- Expenditures decreased \$234,084 (3%). The decrease is due to property acquisition and capital outlay expenditures.
- During the year, expenditures were less than budgetary estimates, with the public works, culture and recreation, and community development exceeding budgeted amounts.

Below are two graphs summarizing governmental fund revenues and expenditures.

Governmental Revenues by Source



Governmental Expenditures by Function



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 position of the Water and Sewer Fund at the end of the year amounted to \$1,899,866 and those for the Drainage Utility Fund amounted to \$1,911,586. The total change in net position for both funds was \$662,257 and \$606,988, 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 General Fund budget twice. Differences between the original budget and the final budget totaled a \$55,360 increase in appropriations.

During the year, expenditures were less than budgetary estimates, with the largest variance involving capital outlay expenditures.

Capital Assets

The City’s investment in capital assets for its governmental and business-type activities as of September 30, 2013, amounts to \$24,800,576 (net of accumulated depreciation). This investment in capital assets includes land, buildings, water and sewer systems, improvements other than buildings, machinery and equipment, and infrastructure.

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

Governmental Activities:

- Police Vehicles \$ 130,140
- Marshal Vehicle 27,491
- Wearable Video Recorders 13,649
- Computer Equipment 14,027
- Guns 5,902
- Remodel of EOC 7,145
- Fire Hoses 5,463
- Animal Control Truck 34,028
- Asphalt Roller 30,545
- Property Acquisition 200,021

Business-type Activities:

- Public Works Truck 28,493
- Commercial Steel Doors 4,800
- Building Remodel 40,152

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

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	\$ 564,175	\$ 548,175	\$ 256,267	\$ 256,267	\$ 820,442	\$ 804,442
Construction in progress	2,102,774	342,763	806,975	2,590,784	2,909,749	2,933,547
Improvements other than buildings	243,070	227,314	2,626,393	147,478	2,869,463	374,792
Buildings	1,298,421	1,190,451	5,170	7,403	1,303,591	1,197,854
Water and sewer system	-	-	10,009,716	10,272,364	10,009,716	10,272,364
Machinery and equipment	948,810	956,512	115,756	143,214	1,064,566	1,099,726
Infrastructure	5,823,049	5,575,105	-	-	5,823,049	5,575,105
Total	\$ 10,980,299	\$ 8,840,320	\$ 13,820,277	\$ 13,417,510	\$ 24,800,576	\$ 22,257,830

Additional information on the City's capital assets can be found in Note F on pages 43 – 44 of this report.

Long-term Debt

City of Richland Hills' Outstanding Debt

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Certificates of obligation	\$ 365,000	\$ 475,000	\$ 10,600,000	\$ 4,315,000	\$ 10,965,000	\$ 4,790,000
Tax notes	-	-	-	-	-	-
Contractual obligation	1,004,000	787,000	-	-	1,004,000	787,000
Capital leases payable	-	-	160,167	209,025	160,167	209,025
Revenue bonds	-	-	1,630,000	2,740,000	1,630,000	2,740,000
Total	\$ 1,369,000	\$ 1,262,000	\$ 12,390,167	\$ 7,264,025	\$ 13,759,167	\$ 8,526,025

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

	<u>Moody's Investor Service</u>	<u>Standard & Poor's</u>
Combination Tax and Revenue Certificates of Obligation, Series 2001	A3	
Combination Tax and Water and Sewer Revenue Certificates of Obligation, Series 2007	A1	
Combination Tax and Water and Sewer Revenue Certificates of Obligation, Series 2010		AA-
Combination Tax and Water and Sewer Revenue Refunding Bonds, Series 2011		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 liability 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 1.93, meaning sufficient net revenues were 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>2013</u>	<u>2012</u>	<u>2011</u>
Gross revenues	\$ 4,124,847	\$ 4,290,606	\$ 4,552,311
Direct operating expenses	2,538,500	3,056,183	3,092,724
Net revenue available for debt	1,586,347	1,234,423	1,459,587
Debt service	498,858	639,174	675,146
Debt coverage ratio (Revenue available for debt service (divided by current year debt service))	2.48	1.93	2.16

More detailed information about the City's debt is presented in Note III.F. in the financial statements.

Economic Factors and Next Year's Budgets and Rates

The property tax rate for the City was adopted at the same rate of \$.528094 per \$100 taxable value for the 2014 fiscal year. The taxable assessed value for the 2013 fiscal year increased from approximately \$420 million to \$434 million.

The most significant budgeted increase in General Fund revenues is a result of restructuring to improve transparency in accounting for the cost of municipal operations and resulted in an increase of \$2,067,191 for interfund transfers. Sales tax revenue also increased approximately \$134,868.

Total expenditures for the General Fund are budgeted to increase by approximately \$2,236,929 from 2013 projected expenditures. This total includes \$2,067,191 from fund transfers mentioned above and the remaining increases comprise capital or one-time expenditures.

Water and wastewater billing revenues are expected to remain flat due to no changes in the billing rates for fiscal year 2013-2014.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City'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.

**BASIC
FINANCIAL STATEMENTS**

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CITY OF RICHLAND HILLS, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,346,509	\$ 3,372,710	\$ 5,719,219
Investments	164,501	176,424	340,925
Receivables, net of allowance for uncollectibles			
Taxes	862,798	-	862,798
Accounts	578,785	911,311	1,490,096
Intergovernmental	694,208	-	694,208
Internal balances	(41,218)	41,218	-
Inventories	-	24,645	24,645
Restricted assets:			
Cash and cash equivalents	-	6,110,845	6,110,845
Internal balances due in more than one year	432,896	(432,896)	-
Deferred charges	45,931	358,069	404,000
Capital assets:			
Land	564,175	256,267	820,442
Construction in progress	2,102,774	806,975	2,909,749
Buildings	2,530,292	174,022	2,704,314
Improvements other than buildings	1,140,035	2,876,767	4,016,802
Water and sewer systems	-	16,546,385	16,546,385
Machinery and equipment	4,164,500	1,195,097	5,359,597
Infrastructure	20,386,262	-	20,386,262
Less: accumulated depreciation	(19,907,739)	(8,035,236)	(27,942,975)
Total capital assets	10,980,299	13,820,277	24,800,576
Total assets	16,064,709	24,382,603	40,447,312
LIABILITIES			
Accounts payable	692,483	222,050	914,533
Accrued liabilities	121,769	30,035	151,804
Unearned revenue	14,518	-	14,518
Current liabilities payable from restricted assets:			
Interest payable	6,079	96,818	102,897
Customer deposits	-	115,270	115,270
Noncurrent liabilities:			
Due within one year - unrestricted	379,103	19,725	398,828
Due within one year - restricted	-	802,903	802,903
Due in more than one year	1,586,522	12,188,128	13,774,650
Total liabilities	2,800,474	13,474,929	16,275,403
NET POSITION			
Net investment in capital assets	9,777,284	7,096,222	16,873,506
Restricted for:			
Debt service	125,441	-	125,441
Public safety	531,071	-	531,071
Economic development	589,444	-	589,444
Unrestricted	2,240,995	3,811,452	6,052,447
Total net position	\$ 13,264,235	\$ 10,907,674	\$ 24,171,909

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

CITY OF RICHLAND HILLS, TEXAS

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 654,916	\$ 109,538	\$ 32,500	\$ -
Public safety	4,977,046	1,147,085	58,583	-
Public works	716,031	-	217,819	1,885,625
Culture and recreation	435,470	-	19,411	-
Parks and beautification	15,628	-	-	-
Community development	757,894	24,582	54,356	-
Interest on long-term debt	70,283	-	-	-
Total governmental activities	<u>7,627,268</u>	<u>1,281,205</u>	<u>382,669</u>	<u>1,885,625</u>
Business-type activities				
Water sewer	3,183,727	4,116,584	-	-
Drainage utility	548,407	817,330	-	-
Total business-type activities	<u>3,732,134</u>	<u>4,933,914</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 11,359,402</u>	<u>\$ 6,215,119</u>	<u>\$ 382,669</u>	<u>\$ 1,885,625</u>

General revenues:

Taxes

 Property, levied for general purposes

 Property, levied for debt service

 Sales

 Franchise

 Hotel occupancy

Investment earnings

Miscellaneous revenues

Gain on sale of assets

Transfers

 Total general revenues and transfers

Changes in net position

Net position, beginning

Net position, ending

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

Net (Expense) Revenue and Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
\$(512,878)	\$ -	\$(512,878)
(3,771,378)	-	(3,771,378)
1,387,413	-	1,387,413
(416,059)	-	(416,059)
(15,628)	-	(15,628)
(678,956)	-	(678,956)
(70,283)	-	(70,283)
<u>(4,077,769)</u>	<u>-</u>	<u>(4,077,769)</u>
-	932,857	932,857
<u>-</u>	<u>268,923</u>	<u>268,923</u>
<u>-</u>	<u>1,201,780</u>	<u>1,201,780</u>
<u>\$(4,077,769)</u>	<u>\$ 1,201,780</u>	<u>\$(2,875,989)</u>
\$ 2,016,033	\$ -	\$ 2,016,033
158,913	-	158,913
2,743,469	-	2,743,469
471,759	-	471,759
194,967	-	194,967
2,076	4,141	6,217
8,513	6,233	14,746
28,678	-	28,678
<u>(57,091)</u>	<u>57,091</u>	<u>-</u>
<u>5,567,317</u>	<u>67,465</u>	<u>5,634,782</u>
1,489,548	1,269,245	2,758,793
<u>11,774,687</u>	<u>9,638,429</u>	<u>21,413,116</u>
<u>\$ 13,264,235</u>	<u>\$ 10,907,674</u>	<u>\$ 24,171,909</u>

CITY OF RICHLAND HILLS, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2013

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,110,026	\$ 1,236,483	\$ 2,346,509
Investments	164,501	-	164,501
Receivables (net of allowances for uncollectibles)			
Taxes	673,671	189,127	862,798
Accounts	481,542	97,243	578,785
Intergovernmental	26,354	667,854	694,208
Due from other funds	669,098	67,169	736,267
Advances to other funds	<u>432,896</u>	<u>-</u>	<u>432,896</u>
 Total assets	 <u>\$ 3,558,088</u>	 <u>\$ 2,257,876</u>	 <u>\$ 5,815,964</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 510,551	\$ 181,932	\$ 692,483
Accrued liabilities	121,769	-	121,769
Due to other funds	110,070	667,415	777,485
Deferred revenue	<u>833,224</u>	<u>14,080</u>	<u>847,304</u>
Total liabilities	<u>1,575,614</u>	<u>863,427</u>	<u>2,439,041</u>
 Fund balance:			
Nonspendable	432,896	-	432,896
Restricted	-	1,411,511	1,411,511
Assigned	-	23,425	23,425
Unassigned	<u>1,549,578</u>	<u>(40,487)</u>	<u>1,509,091</u>
Total fund balance	<u>1,982,474</u>	<u>1,394,449</u>	<u>3,376,923</u>
 Total liabilities and fund balance	 <u>\$ 3,558,088</u>	 <u>\$ 2,257,876</u>	 <u>\$ 5,815,964</u>

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

CITY OF RICHLAND HILLS, TEXAS

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

Total fund balances - governmental funds	\$ 3,376,923
Capital assets used in governmental activities are not financial resources and therefore are reported in the governmental funds.	10,980,299
Long-term liabilities, including bonds payable (net of unamortized costs), are not due and payable in the current period and, therefore, are not reported in the funds.	(1,925,773)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	<u>832,786</u>
Net position of governmental activities	\$ <u>13,264,235</u>

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

CITY OF RICHLAND HILLS, TEXAS

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

GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes:			
General property	\$ 2,028,481	\$ 158,913	\$ 2,187,394
Sales and use	1,829,996	913,473	2,743,469
Franchise	508,573	-	508,573
Hotel occupancy	-	194,967	194,967
Fines and fees	461,102	440,557	901,659
Licenses and permits	99,370	-	99,370
Charges for services	279,873	-	279,873
Intergovernmental	103,924	1,885,625	1,989,549
Interest income	1,171	905	2,076
Miscellaneous	69,439	217,819	287,258
Total revenues	<u>5,381,929</u>	<u>3,812,259</u>	<u>9,194,188</u>
EXPENDITURES			
General government	610,000	-	610,000
Public safety	3,618,600	1,059,300	4,677,900
Public works	391,356	2,753	394,109
Culture and recreation	389,945	-	389,945
Parks and beautification	8,110	-	8,110
Community development	545,836	207,184	753,020
Capital outlay	213,606	2,640,330	2,853,936
Debt service:			
Principal	70,000	238,000	308,000
Interest and fiscal charges	29,050	52,190	81,240
Total expenditures	<u>5,876,503</u>	<u>4,199,757</u>	<u>10,076,260</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(494,574)</u>	<u>(387,498)</u>	<u>(882,072)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	37,442	-	37,442
Issuance of contractual obligations	415,000	-	415,000
Transfers in	13,050	133,657	146,707
Transfers out	<u>(57,091)</u>	<u>(146,707)</u>	<u>(203,798)</u>
Total other financing sources (uses)	<u>408,401</u>	<u>(13,050)</u>	<u>395,351</u>
NET CHANGE IN FUND BALANCES	<u>(86,173)</u>	<u>(400,548)</u>	<u>(486,721)</u>
FUND BALANCES, BEGINNING	<u>2,068,647</u>	<u>1,794,997</u>	<u>3,863,644</u>
FUND BALANCES, ENDING	<u>\$ 1,982,474</u>	<u>\$ 1,394,449</u>	<u>\$ 3,376,923</u>

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

CITY OF RICHLAND HILLS, TEXAS

**RECONCILIATION OF THE 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, 2013

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

Net change in fund balances - total governmental funds	\$(486,721)
Governmental funds report all capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This reconciling item represents the amount by which capital outlay exceeded depreciation in the current period.	2,139,979
The issuance of long-term debt (e.g., bonds, notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This reconciling item represents the net effect of these differences in the treatment of long-term debt and related items.	(96,473)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This reconciling item reflects the net of such expenses.	(18,278)
Some revenues in the statement of activities do not provide current financial resources and are not included in the governmental funds.	<u>(48,959)</u>
Change in net position of governmental activities - statement of activities	<u>\$ 1,489,548</u>

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

CITY OF RICHLAND HILLS, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

	<u>Water and Sewer</u>	<u>Drainage Utility</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,876,502	\$ 1,496,208	\$ 3,372,710
Investments	176,274	150	176,424
Accounts receivable, net of allowances	911,311	-	911,311
Due from other funds	24,364	337,891	362,255
Inventory	24,645	-	24,645
Restricted assets:			
Cash and cash equivalents	<u>3,031,389</u>	<u>3,079,456</u>	<u>6,110,845</u>
Total current assets	<u>6,044,485</u>	<u>4,913,705</u>	<u>10,958,190</u>
Noncurrent assets:			
Deferred charges	218,521	139,548	358,069
Capital assets:			
Land	207,267	49,000	256,267
Construction in progress	-	806,975	806,975
Buildings	174,022	-	174,022
Improvements other than buildings	67,656	2,809,111	2,876,767
Waterworks and sewer system	16,546,385	-	16,546,385
Equipment	1,088,236	106,861	1,195,097
Less: accumulated depreciation	<u>(7,722,491)</u>	<u>(312,745)</u>	<u>(8,035,236)</u>
Total noncurrent assets	<u>10,579,596</u>	<u>3,598,750</u>	<u>14,178,346</u>
Total assets	<u>\$ 16,624,081</u>	<u>\$ 8,512,455</u>	<u>\$ 25,136,536</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 215,090	\$ 6,960	\$ 222,050
Accrued liabilities	28,090	1,945	30,035
Due to other funds	316,951	4,002	320,953
Compensated absences payable	19,725	-	19,725
Current liabilities payable from restricted assets:			
Interest payable	53,827	42,991	96,818
Due to other funds	84	-	84
Capital leases payable	51,057	-	51,057
Revenue bonds payable	641,846	110,000	751,846
Customer deposits payable	<u>115,270</u>	<u>-</u>	<u>115,270</u>
Total current liabilities	<u>1,441,940</u>	<u>165,898</u>	<u>1,607,838</u>
Noncurrent liabilities:			
Advances from other funds	432,896	-	432,896
Compensated absences payable	78,899	-	78,899
Net pension obligation	70,919	6,313	77,232
Capital leases payable	109,110	-	109,110
Revenue bonds payable	<u>6,447,317</u>	<u>5,475,570</u>	<u>11,922,887</u>
Total noncurrent liabilities	<u>7,139,141</u>	<u>5,481,883</u>	<u>12,621,024</u>
Total liabilities	<u>8,581,081</u>	<u>5,647,781</u>	<u>14,228,862</u>
NET POSITION			
Net investment in capital assets	6,143,134	953,088	7,096,222
Unrestricted	<u>1,899,866</u>	<u>1,911,586</u>	<u>3,811,452</u>
Total net position	<u>\$ 8,043,000</u>	<u>\$ 2,864,674</u>	<u>\$ 10,907,674</u>

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

CITY OF RICHLAND HILLS, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	<u>Water and Sewer</u>	<u>Drainage Utility</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services	\$ 4,116,584	\$ 817,330	\$ 4,933,914
Miscellaneous	<u>6,233</u>	<u>-</u>	<u>6,233</u>
Total operating revenues	<u>4,122,817</u>	<u>817,330</u>	<u>4,940,147</u>
OPERATING EXPENSES			
Personnel services	1,012,754	113,165	1,125,919
Contractual services	112,341	55,175	167,516
Repairs and maintenance	216,237	32,249	248,486
Other supplies and expenses	1,197,168	8,715	1,205,883
Depreciation	<u>455,658</u>	<u>217,237</u>	<u>672,895</u>
Total operating expenses	<u>2,994,158</u>	<u>426,541</u>	<u>3,420,699</u>
OPERATING INCOME	<u>1,128,659</u>	<u>390,789</u>	<u>1,519,448</u>
NONOPERATING REVENUES AND EXPENSES			
Interest and investment income	2,030	2,111	4,141
Interest expense and fiscal charges	<u>(189,569)</u>	<u>(121,866)</u>	<u>(311,435)</u>
Total nonoperating revenues and expenses	<u>(187,539)</u>	<u>(119,755)</u>	<u>(307,294)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>941,120</u>	<u>271,034</u>	<u>1,212,154</u>
Transfers in	65,272	344,135	409,407
Transfers out	<u>(344,135)</u>	<u>(8,181)</u>	<u>(352,316)</u>
CHANGE IN NET POSITION	662,257	606,988	1,269,245
NET POSITION, BEGINNING	<u>7,380,743</u>	<u>2,257,686</u>	<u>9,638,429</u>
NET POSITION, ENDING	<u>\$ 8,043,000</u>	<u>\$ 2,864,674</u>	<u>\$ 10,907,674</u>

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

CITY OF RICHLAND HILLS, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	<u>Water and Sewer</u>	<u>Drainage Utility</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 4,139,241	\$ 817,330	\$ 4,956,571
Cash paid to suppliers for goods and services	(991,728)	(113,689)	(1,105,417)
Cash paid to employees for services	(1,594,286)	(300,381)	(1,894,667)
Net cash provided by operating activities	<u>1,553,227</u>	<u>403,260</u>	<u>1,956,487</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash received from other funds	(388,636)	-	(388,636)
Cash paid to other funds	(24,364)	(56,944)	(81,308)
Transfers from other funds	65,272	344,135	409,407
Transfers to other funds	(344,135)	(8,181)	(352,316)
Net cash provided (used) by noncapital financing activities	<u>(691,863)</u>	<u>279,010</u>	<u>(412,853)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal repayments on debt	2,592,422	2,985,570	5,577,992
Interest and fiscal charges on debt	(245,143)	(185,385)	(430,528)
Proceeds from sale of capital assets	(210,448)	(865,214)	(1,075,662)
Net cash flows used by capital and related financing activities	<u>2,136,831</u>	<u>1,934,971</u>	<u>4,071,802</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on investments	<u>2,030</u>	<u>2,111</u>	<u>4,141</u>
Net cash provided by investing activities	<u>2,030</u>	<u>2,111</u>	<u>4,141</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,000,225	2,619,352	5,619,577
CASH AND CASH EQUIVALENTS, BEGINNING	<u>1,907,666</u>	<u>1,956,312</u>	<u>3,863,978</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 4,907,891</u>	<u>\$ 4,575,664</u>	<u>\$ 9,483,555</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET ASSETS			
Cash and cash equivalents	\$ 1,876,502	\$ 1,496,208	\$ 3,372,710
Restricted cash	<u>3,031,389</u>	<u>3,079,456</u>	<u>6,110,845</u>
Total cash and cash equivalents	<u>\$ 4,907,891</u>	<u>\$ 4,575,664</u>	<u>\$ 9,483,555</u>

CITY OF RICHLAND HILLS, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	<u>Water and Sewer</u>	<u>Drainage Utility</u>	<u>Totals</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 1,128,659	\$ 390,789	\$ 1,519,448
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation and amortization expense	455,658	217,237	672,895
Changes in assets and liabilities:			
Increase in accounts receivable	9,398	-	9,398
Increase in inventory	(1,825)	-	(1,825)
Decrease in accounts payable	(66,715)	(204,242)	(270,957)
Increase in accrued liabilities	2,650	(650)	2,000
Decrease in compensated absences	17,163	-	17,163
Increase in customer deposits	7,026	-	7,026
Increase in net pension obligation	<u>1,213</u>	<u>126</u>	<u>1,339</u>
Net cash provided by operating activities	<u>\$ 1,553,227</u>	<u>\$ 403,260</u>	<u>\$ 1,956,487</u>

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

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CITY OF RICHLAND HILLS, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

I. 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 (the "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. Separate financial information for each can be obtained from the City.

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 a 0.125 percent sales tax approved by the voters. The Corporation is reported as a Special Revenue Fund.

On 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 a 0.375 percent sales tax approved by the voters. The District is also reported as a Special Revenue Fund.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the 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.

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 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 60 days after year-end. Expenditures generally are recorded when the related fund liability is incurred, as under accrual accounting; however, debt service expenditures and expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property, franchise, and sales taxes, along with 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 City 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 is maintained consistent with legal and managerial requirements.

Governmental Funds are those through which most functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities (except those accounted for in the proprietary fund type) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination.

The City reports the following major governmental fund:

The ***General Fund*** is the government's primary operating fund. It accounts for the resources used to finance the basic operations of the City and covers all activities for which a separate fund has not been established.

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.

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. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than 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 City's Enterprise Funds 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 City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Position 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*

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

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/due 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.”

3. *Property Taxes*

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 60 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. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

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 \$5,000 and an estimated useful life in excess of one year. 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.

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

Buildings 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*

The government-wide financial statements and proprietary fund type financial statements report long-term debt and other long-term obligations as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. *Fund Balance Classification*

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by board resolution of the City Council, the City's highest level of decision making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, these amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed (adoption of another ordinance). This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but do not meet the criteria to be classified as restricted nor committed. The City Council has by resolution authorized the City Manager to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover the gap between estimated revenues and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments only exist temporarily. In other words, an additional action does not normally have to be taken for removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains, “Other long-term assets are not available to pay for current period expenditures and, therefore are deferred in the funds.” The details of this \$832,786 difference are as follows:

Property taxes receivable	\$ 103,254
Court fines receivable	440,473
Franchise taxes receivable	247,990
Ambulance receivable	<u>41,069</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ 832,786</u>

Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$2,139,979 difference are as follows:

Capital outlay	\$ 2,812,192
Depreciation expense	<u>(672,213)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 2,139,979</u>

Another element of that reconciliation states, “Some revenues in the statement of activities do not provide current financial resources and are not included in the governmental funds.” The details of this (\$48,959) difference are as follows:

Property taxes	\$(12,448)
Court fines receivable	6,886
Franchise taxes receivable	(36,814)
Other receivables	<u>(6,583)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$(48,959)</u>

Another element of that reconciliation states, “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.” The details of this (\$96,473) difference are as follows:

Principal repayments	\$ 308,000
Bond issuance	(415,000)
Bond issuance costs	<u>10,527</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$(96,473)</u></u>

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

At September 30, 2013, the Road and Street Capital Project Fund, a nonmajor governmental fund, had a deficit fund balance of \$40,487. The deficit occurred because expenditures in this fund exceeded available resources. The deficit will be eliminated as additional revenues are collected in the subsequent year.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2013, the City had the following investments:

<u>Investment</u>	<u>Credit Rating</u>	<u>Weighted Average Maturities</u>	<u>Percentage of Total Investments</u>	<u>Cost</u>	<u>Fair Value</u>
TexPool	AAAm	40 days	100.00%	\$ <u>3,619</u>	\$ <u>3,619</u>
				\$ <u>3,619</u>	\$ <u>3,619</u>
<u>Reconciliation to financial statements</u>					
				\$ 340,925	
				<u>337,306</u>	
				<u><u>\$ 3,619</u></u>	

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U. S. Treasury, certain U. S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) Mutual Funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

The City's investment pool is a 2a7-like pool. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The City uses the following external investment pool:

TexPool

Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Lehman Brothers, Inc. and Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accountants. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool.

TexPool is rated AAAM by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as the Office of the Comptroller of Public Accounts for review. TexPool uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

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. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government Obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2012, the City's \$12,347,870 deposit balance was collateralized with securities held by the pledging financial institution or covered by FDIC insurance.

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.

B. 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		
Revenue Bond Reserve		
Cash	\$	37,447
2007 Revenue Bonds Construction		
Cash		374
2007 Revenue Bonds I&S		
Cash		438
2010 Revenue Bonds Construction		
Cash		78,130
2010 Revenue Bonds I&S		
Cash		8,197
2013 Revenue Bonds I&S		
Cash		<u>5,986,259</u>
	\$	<u>6,110,845</u>

C. Property Taxes

Property tax rates, established in accordance with state law, are levied on real and personal property within the City for use in financing and general and debt service expenditures for the 2013 fiscal year (2012 tax year), resulting in an adjusted tax levy of approximately \$2.2 million based on an assessed property valuation of approximately \$410.7 million were as follows:

	<u>Tax Rate per \$100 of Assessed Value</u>
General fund	\$ 0.467694
Debt service fund	<u>0.060400</u>
Total tax rate	<u>\$ 0.528094</u>

D. Receivables

Amounts recorded as receivable as of September 30, 2013, for the City's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Water and Sewer</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Receivables:				
Taxes	\$ 717,923	\$ -	\$ 195,161	\$ 913,084
Intergovernmental	26,354	-	667,854	694,208
Fines	1,468,243	-	-	1,468,243
Accounts	-	1,492,556	97,243	1,589,799
Ambulance	<u>2,556,597</u>	<u>-</u>	<u>-</u>	<u>2,556,597</u>
Gross receivables	4,769,117	1,492,556	960,258	7,221,931
Less: allowance for uncollectibles	<u>3,587,550</u>	<u>581,245</u>	<u>6,034</u>	<u>4,174,829</u>
Net total receivables	<u>\$ 1,181,567</u>	<u>\$ 911,311</u>	<u>\$ 954,224</u>	<u>\$ 3,047,102</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is 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 current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (general)	\$ 103,254	\$ -
Delinquent property taxes receivable (debt service)	14,080	-
Franchise tax receivable	247,990	-
Court fines	440,473	-
Ambulance charges receivable	41,069	-
Other	<u>-</u>	<u>438</u>
Total governmental funds	<u>\$ 846,866</u>	<u>\$ 438</u>

E. Interfund Receivable, Payables and Transfers

The composition of interfund balances for the City’s individual major funds and nonmajor funds as of September 30, 2013, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other governmental funds	\$ 665,495
	Water and sewer	2,083
	Drainage utility	1,520
Other governmental funds	Other governmental funds	1,920
Other governmental funds	General	<u>65,249</u>
Total governmental funds		<u>\$ 736,267</u>
Water and sewer	General	\$ 21,882
	General	22,939
	Water and sewer	<u>314,952</u>
Total enterprise funds		<u>\$ 359,773</u>

The General Fund paid expenditures for the other governmental funds, the Water and Sewer Fund and the Drainage utility 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.

\$432,896 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 nonspendable fund balance and the payable has been reported as a noncurrent liability in the proprietary funds statement of net position.

The composition of interfund transfers for the City's individual major funds and nonmajor funds at September 30, 2013, is as follows:

<u>Transfers in</u>	<u>Transfers out</u>	<u>Amount</u>	<u>Purpose</u>
Other governmental funds	Other governmental funds	\$ 133,657	Debt service
General	Other governmental funds	<u>13,050</u>	Debt service
Total governmental funds		<u>\$ 146,707</u>	
Water and sewer	Drainage utility	\$ 8,181	Increased water sewer costs
	General	57,091	Debt covenant requirements
Drainage utility	Water and sewer	<u>344,135</u>	
Total enterprise funds		<u>\$ 409,407</u>	

F. Capital Assets

Capital asset activity for the year ended September 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 548,175	\$ 16,000	\$ -	\$ 564,175
Construction in progress	<u>342,763</u>	<u>1,760,011</u>	<u>-</u>	<u>2,102,774</u>
Total capital assets not being depreciated	<u>890,938</u>	<u>1,776,011</u>	<u>-</u>	<u>2,666,949</u>
Capital assets, being depreciated:				
Improvements other than buildings	1,079,840	60,195	-	1,140,035
Buildings	2,346,271	184,021	-	2,530,292
Machinery and equipment	4,073,180	261,245	169,925	4,164,500
Streets	<u>19,846,778</u>	<u>539,484</u>	<u>-</u>	<u>20,386,262</u>
Total capital assets, being depreciated	<u>27,346,069</u>	<u>1,044,945</u>	<u>169,925</u>	<u>28,221,089</u>
Less: accumulated depreciated for:				
Improvements other than buildings	(852,526)	(44,439)	-	(896,965)
Buildings	(1,155,820)	(76,051)	-	(1,231,871)
Machinery and equipment	(3,116,668)	(260,183)	(161,161)	(3,215,690)
Streets	<u>(14,271,673)</u>	<u>(291,540)</u>	<u>-</u>	<u>(14,563,213)</u>
Total capital assets being depreciated	<u>(19,396,687)</u>	<u>(672,213)</u>	<u>(161,161)</u>	<u>(19,907,739)</u>
Total capital assets being depreciated, net	<u>7,949,382</u>	<u>372,732</u>	<u>8,764</u>	<u>8,313,350</u>
Total governmental activities, net	<u>\$ 8,840,320</u>	<u>\$ 2,148,743</u>	<u>\$ 8,764</u>	<u>\$ 10,980,299</u>

Business-type activities

Capital assets, not being depreciated:				
Land	\$ 256,267	\$ -	\$ -	\$ 256,267
Construction in progress	<u>2,590,784</u>	<u>722,898</u>	<u>2,506,707</u>	<u>806,975</u>
Total capital assets not being depreciated	<u>2,847,051</u>	<u>722,898</u>	<u>2,506,707</u>	<u>1,063,242</u>
Capital assets, being depreciated:				
Improvements other than buildings	182,792	2,693,975	-	2,876,767
Buildings	174,022	-	-	174,022
Water and sewer systems	16,409,385	137,000	-	16,546,385
Machinery and equipment	<u>1,166,604</u>	<u>28,493</u>	<u>-</u>	<u>1,195,097</u>
Total capital assets, being depreciated	<u>17,932,803</u>	<u>2,859,468</u>	<u>-</u>	<u>20,792,271</u>
Less: accumulated depreciated for:				
Improvements other than buildings	(35,310)	(215,064)	-	(250,374)
Buildings	(166,620)	(2,232)	-	(168,852)
Water and sewer systems	(6,137,021)	(399,648)	-	(6,536,669)
Machinery and equipment	<u>(1,023,390)</u>	<u>(55,951)</u>	<u>-</u>	<u>(1,079,341)</u>
Total capital assets being depreciated	<u>(7,362,341)</u>	<u>(672,895)</u>	<u>-</u>	<u>(8,035,236)</u>
Total capital assets being depreciated, net	<u>10,570,462</u>	<u>2,186,573</u>	<u>-</u>	<u>12,757,035</u>
Total business-type activities, net	<u>\$ 13,417,513</u>	<u>\$ 2,909,471</u>	<u>\$ 2,506,707</u>	<u>\$ 13,820,277</u>

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

Governmental activities:	
General government	\$ 39,452
Public Safety	272,012
Public Works	313,836
Culture and recreation	39,610
Parks and beautification	<u>7,303</u>
Total depreciation expense- governmental activities	<u>\$ 672,213</u>
Business-type activities:	
Water/sewer	\$ 455,658
Drainage utility	<u>217,237</u>
Total depreciation expense - business-type activities	<u>\$ 672,895</u>

G. Long-term Liabilities

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 certificates 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, 2013 is \$365,000.

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, 2013, is \$360,000.

City of Richland Hills, Public Property Finance Contractual Obligation Series 2011

A series of contractual obligations totaling \$473,000 dated February 1, 2011, 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 3.64% and the obligation matures through August 15, 2016. Principal and interest are payable from ad valorem taxes. The balance of this obligation at September 30, 2013, is \$299,000.

City of Richland Hills, Public Property Finance Contractual Obligation Series 2012

A series of contractual obligations totaling \$415,000 dated October 4, 2012, 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 3.66% and the obligation matures through February 15, 2019. Principal and interest are payable from ad valorem taxes. The balance of this obligation at September 30, 2013, is \$345,000.

Business-type Activities

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, 2012, is \$1,630,000.

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 storm water and drainage utility system, and the acquisition of land and interests in land as necessary therefore; 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, 2012, is \$2,495,000.

Combination Tax and Water and Sewer Revenue Refunding Bonds, Series 2011

\$3,110,000 of Revenue Refunding Bonds dated November 11, 2011, were issued to refund \$1,340,000 of Waterworks and Sewer System Revenue Bonds, Series 2002 and \$1,860,000 of Combination Tax and Water and Sewer Revenue Certificates of Obligation, Series 1998 and to pay costs related to the issuance of the bonds. The bonds are not subject to redemption prior to stated maturity. Interest rates range from 2.000% to 2.500%. Total maturity of this series is on August 15, 2022. The bonds constitute direct obligations of the City and are payable as to principal and interest from an annual ad valorem tax levied against all taxable property therein, within the limits prescribed by law, and by a lien on pledge of surplus net revenues of the City's combined waterworks and sewer system, as provided in the bond ordinance. The balance of these certificates at September 30, 2012, is \$2,375,000.

Combination Tax and Water and Sewer Revenue Refunding Bonds, Series 2013

\$5,730,000 of Revenue Refunding Bonds dated June 18, 2013, were issued for paying all or a portion of the City’s contractual obligations incurred in connection with (i) drainage improvements throughout the City; and (ii) construction of improvements and extensions to the City’s waterworks and sewer system; and (iii) legal, fiscal and engineering fees in connection with such projects. The City reserves the right, at its option, to redeem certificates having stated maturities on and after August 15, 2024, in whole or in part in principal amounts of \$5000 or any integral multiple thereof, on August 15, 2023, or any date thereafter, at the par value thereof plus accrued interest to the date of the redemption. Interest rates range from 3.000% to 4.500%. Total maturity of this series is on August 15, 2033. The bonds constitute direct obligations of the City and are payable as to principal and interest from an annual ad valorem tax levied against all taxable property therein, within the limits prescribed by law, and by a lien on pledge of surplus net revenues of the City’s combined waterworks and sewer system, as provided in the bond ordinance. The balance of these certificates at September 30, 2012, is \$5,730,000.

Future Requirements

The annual requirements to amortize all certificates of obligation, tax notes, contractual obligations and revenue bonds outstanding as of September 30, 2013, are as follows:

Fiscal Year Ending	Governmental Activities		Business-type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 318,000	\$ 40,434	\$ 730,000	\$ 468,495	\$ 1,048,000	\$ 508,929
2015	330,000	30,065	780,000	410,349	1,110,000	440,414
2016	346,000	19,272	805,000	386,934	1,151,000	406,206
2017	78,000	9,754	835,000	362,819	913,000	372,573
2018	80,000	8,224	860,000	335,744	940,000	343,968
2019-2023	217,000	17,021	3,025,000	1,304,469	3,242,000	1,321,490
2024-2028	-	-	2,955,000	759,256	2,955,000	759,256
2029-2033	-	-	2,240,000	249,188	2,240,000	249,188
Totals	\$ <u>1,369,000</u>	\$ <u>124,770</u>	\$ <u>12,230,000</u>	\$ <u>4,277,254</u>	\$ <u>13,599,000</u>	\$ <u>4,402,024</u>

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2013.

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Certificates of obligation	\$ 475,000	\$ -	\$ 110,000	\$ 365,000	\$ 115,000
Contractual obligation bonds	787,000	415,000	198,000	1,004,000	203,000
Compensated absences	292,323	273,533	260,341	305,515	61,103
Net pension obligation	285,594	5,516	-	291,110	-
Total governmental activities	<u>1,839,917</u>	<u>694,049</u>	<u>568,341</u>	<u>1,965,625</u>	<u>379,103</u>
Business-type activities:					
Combination tax and revenue certificates	\$ 7,055,000	\$ 5,730,000	\$ 555,000	\$ 12,230,000	\$ 730,000
Premium on bonds	95,916	451,140	9,591	537,465	32,149
Deferred loss on refunding	(103,035)	-	(10,303)	(92,732)	(10,303)
Capital lease payable	209,025	-	48,858	160,167	51,057
Compensated absences	81,461	41,379	24,216	98,624	19,725
Net pension obligation	75,892	1,340	-	77,232	-
Total business-type activities	<u>7,414,259</u>	<u>6,223,859</u>	<u>627,362</u>	<u>13,010,756</u>	<u>822,628</u>
	<u>\$ 9,254,176</u>	<u>\$ 6,917,908</u>	<u>\$ 1,195,703</u>	<u>\$ 14,976,381</u>	<u>\$ 1,201,731</u>

Defeasance of Bonds

In prior years, the City defeased certain bonds by placing the proceeds of refunding bonds in irrevocable trusts to provide for all future debt service payments on the defeased bonds. Accordingly, the trusts' assets and liabilities for the defeased bonds are not included in the City's financial statements. At September 30, 2013, the outstanding balance of the defeased bonds is \$2,535,000.

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.

H. Capital Leases Payable

On 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>Fiscal Year Ending</u>	<u>Business-type Activities</u>
2014	\$ 58,265
2015	58,265
2016	<u>58,265</u>
Total debt service requirements	174,795
Less: interest portion	<u>14,628</u>
Debt principal	<u>\$ 160,167</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>181,813</u>
Net	<u>\$ 399,988</u>

I. Fund Balance

As of September 30, 2013, governmental fund balance is composed of the following:

<u>Fund Balance Classification</u>	<u>General</u>	<u>Other Governmental</u>	<u>Totals</u>
Nonspendable:			
Advances to other funds	\$ 432,896	\$ -	\$ 432,896
Restricted:			
Retirement of long-term debt	-	125,011	125,011
Capital acquisition and construction	-	165,985	165,985
Tourism activities	-	140,526	140,526
Public safety activities	-	24,509	24,509
Economic development	-	448,918	448,918
Crime control district	-	506,562	506,562
Assigned:			
Capital acquisition and construction	-	23,425	23,425
Unassigned	<u>1,549,578</u>	<u>(40,487)</u>	<u>1,509,091</u>
Total governmental fund balance	<u>\$ 1,982,474</u>	<u>\$ 1,394,449</u>	<u>\$ 3,376,923</u>

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's risk management program encompasses obtaining property and liability insurance through Texas Municipal League (TML), an Intergovernmental Risk-Pool. The City has not had any significant reduction in insurance coverage and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years. The participation of the City in TML is limited to payment of premiums. During the year ended September 30, 2013, the City paid premiums to TML for provisions of various liability, property and casualty insurance. The City has various deductible amounts ranging from \$250 to \$25,000 on various policies. At year-end, the City did not have any significant claims. TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of specified dollar amounts for each insured event.

The City also provides workers' compensation insurance on its employees through TML. Workers' compensation is subject to change when audited by TML. At year-end, September 30, 2013, the City believed the amounts paid on workers' compensation would not change significantly from the amounts recorded.

B. 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 fulltime 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 (PEBSCO). The City does not contribute to this plan nor does it have any liability for this plan.

C. 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 statewide 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, Texas 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 2013 and 2012, were the same and were as follows:

	<u>Plan Year</u> <u>2011</u>	<u>Plan Year</u> <u>2012</u>	<u>Plan Year</u> <u>2013</u>
Employee deposit rate	7%	7%	7%
Matching ratio (City to employee)	2 to 1	2 to 1	2 to 1
Years required for vesting	5 years	5 years	5 years
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20	60/5, 0/20
Updated service credit	100% repeating, transfers	100% repeating, transfers	100% repeating, transfers
Annuity increase (to retirees)	70% of CPI repeating	70% of CPI repeating	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.

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:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual required contribution (ARC)	\$ 679,284	\$ 717,708	\$ 782,362
Interest on net pension obligation	25,304	22,819	15,838
Adjustment to ARC	<u>(22,232)</u>	<u>(19,615)</u>	<u>(13,104)</u>
Annual pension cost (APC)	682,356	720,912	785,096
Contributions made	<u>675,500</u>	<u>685,414</u>	<u>670,281</u>
Increase (decrease) in NPO	6,856	35,498	114,815
Net pension obligation/(asset), beginning	<u>361,486</u>	<u>325,988</u>	<u>-</u>
Net pension obligation/(asset), ending	<u>\$ 368,342</u>	<u>\$ 361,486</u>	<u>\$ 114,815</u>
Contributions as a percentage of APC	99.00%	95.08%	85.38%

Actuarial Assumptions

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

Actuarial valuation date	12/31/2010	12/31/2011	12/31/2012
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	28.1 years - Closed period	27.2 years; Closed period	26.2 years; Closed period
Amortization period for new gains/losses	30 years	30 years	30 years
Asset valuation method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Actuarial assumptions:			
Investment rate of return*	7.50%	7.00%	7.00%
Projected salary increases*	Varies by age and service	Varies by age and service	Varies by age and service
*Includes inflation at:	3.00%	3.00%	3.00%
Cost-of-living adjustments	2.10%	2.10%	2.10%

Funded Status

The funded status as of December 31, 2012 is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2012	19,416,364	23,636,356	82.1%	4,219,992	3,982,846	106.0%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. 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.

D. Other Postemployment Benefits

Supplemental Death Benefits Fund

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

The City's contributions to the TMRS SDBF for the years ended 2013, 2012 and 2011 were \$9,151, \$9,974, and \$11,610, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates (retiree-only portion of rates)

<u>Plan/ Calendar Year</u>	<u>Required Contribution Rate</u>	<u>Actual Contribution Rate</u>	<u>Percentage of ARC Contributed</u>
2013	0.04%	0.04%	100%
2012	0.04%	0.04%	100%
2011	0.05%	0.05%	100%

E. Contingent Liabilities

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.

F. Contracts and Commitments

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 wastewater 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 2013 for the treatment of wastewater by the City of Fort Worth were \$197,792.

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 2013 for the purchase of treated water from the City of Fort Worth were \$546,018.

Transportation of Sewerage

On May 13, 1986, the City entered into an agreement with the City of Hurst to allow sewerage to be metered to 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 2013 from the City of Hurst were \$110,105.

**REQUIRED
SUPPLEMENTARY INFORMATION**

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CITY OF RICHLAND HILLS, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

GENERAL FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes:				
General property	\$ 2,114,814	\$ 2,114,814	\$ 2,028,481	\$(86,333)
Sales and use	1,687,531	1,707,496	1,829,996	122,500
Franchise	551,771	551,771	508,573	(43,198)
Fines and fees	442,473	442,473	461,102	18,629
Licenses and permits	101,864	101,864	99,370	(2,494)
Charges for services	261,811	261,811	279,873	18,062
Intergovernmental	106,881	118,844	103,924	(14,920)
Interest income	2,418	2,418	1,171	(1,247)
Miscellaneous	111,526	111,526	69,439	(42,087)
Total revenues	<u>5,381,089</u>	<u>5,413,017</u>	<u>5,381,929</u>	<u>(31,088)</u>
EXPENDITURES				
Current:				
General government	613,735	624,735	610,000	14,735
Public safety	3,615,914	3,628,346	3,618,600	9,746
Public works	328,040	348,005	391,356	(43,351)
Culture and recreation	383,987	383,987	389,945	(5,958)
Parks and beautification	22,500	22,500	8,110	14,390
Community development	500,221	500,221	545,836	(45,615)
Capital outlay	452,473	464,436	213,606	250,830
Debt service:				
Principal	70,000	70,000	70,000	-
Interest and fiscal charges	29,550	29,550	29,050	500
Total expenditures	<u>6,016,420</u>	<u>6,071,780</u>	<u>5,876,503</u>	<u>195,277</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(635,331)</u>	<u>(658,763)</u>	<u>(494,574)</u>	<u>164,189</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of general capital assets	26,207	26,207	37,442	11,235
Transfers in	104,725	488,157	13,050	(475,107)
Transfers out	<u>(16,198)</u>	<u>(16,198)</u>	<u>(57,091)</u>	<u>(40,893)</u>
Total other financing sources (uses)	<u>114,734</u>	<u>498,166</u>	<u>(6,599)</u>	<u>(504,765)</u>
NET CHANGE IN FUND BALANCE	<u>(520,597)</u>	<u>(160,597)</u>	<u>(501,173)</u>	<u>(340,576)</u>
FUND BALANCE, BEGINNING	<u>2,068,647</u>	<u>2,068,647</u>	<u>2,068,647</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 1,548,050</u>	<u>\$ 1,908,050</u>	<u>\$ 1,567,474</u>	<u>\$(340,576)</u>

CITY OF RICHLAND HILLS, TEXAS

TEXAS MUNICIPAL RETIREMENT SYSTEM

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (ALL)</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/10	\$ 11,470,121	\$ 16,892,517	67.9%	\$ 5,422,396	\$ 3,898,255	139.1%
12/31/11	17,870,012	22,113,696	80.8%	4,243,684	3,927,117	108.1%
12/31/12	19,416,364	23,636,356	82.1%	4,219,992	3,982,846	106.0%

CITY OF RICHLAND HILLS, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2013

1. 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, Crime Control and Prevention District, Red Light Enforce, and Hotel Occupancy Tax Special Revenue Funds, Debt Service Fund, and all the Capital Projects Funds. 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 the 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. There were no outstanding encumbrances at the end of the year that were provided for in the subsequent year's budget.

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

B. Excess of Expenditures Over Appropriations

The Red Light Camera Enforcement Fund had expenditures in excess of appropriations of \$12,897. The Debt Service Fund had expenditures in excess of appropriations of \$408 and the Oil and Gas Lease Capital Projects fund had expenditures in excess of appropriations of \$20,002.

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**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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.

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.

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.

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

DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

CAPITAL PROJECTS FUNDS

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

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.

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

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.

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

2011 PFFCO Fund – accounts for the 2011 Public Property Financial Contractual Obligation, which will be used to purchase an ambulance, patrol vehicles, service trucks, tractor and equipment.

Safe Routes to School Fund – is used to account for the Safe Routes to School grant, which will be used to construct sidewalks at Richland Elementary School, Jack Binion Elementary School, and Richland Middle School.

CITY OF RICHLAND HILLS, TEXAS

NONMAJOR FUNDS

COMBINING BALANCE SHEET

SEPTEMBER 30, 2013

	Special Revenues				
	Richland Hills Development Corporation	Crime Control District	Red Light Camera Enforce	Hotel Occupancy Tax	Total Special Revenue Funds
ASSETS					
Cash	\$ 393,503	\$ 432,792	\$ -	\$ 148,305	\$ 974,600
Receivables (net of allowances for uncollectibles):					
Taxes	39,621	119,477	-	15,949	175,047
Accounts	-	-	41,672	-	41,672
Intergovernmental	-	-	-	-	-
Due from other funds	<u>15,819</u>	<u>-</u>	<u>51,249</u>	<u>-</u>	<u>67,068</u>
Total assets	<u>\$ 448,943</u>	<u>\$ 552,269</u>	<u>\$ 92,921</u>	<u>\$ 164,254</u>	<u>\$ 1,258,387</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 25	\$ 4,536	\$ 68,412	\$ 6,377	\$ 79,350
Due to other funds	-	41,171	-	17,351	58,522
Deferred and unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>25</u>	<u>45,707</u>	<u>68,412</u>	<u>23,728</u>	<u>137,872</u>
Fund balances:					
Restricted	448,918	506,562	24,509	140,526	1,120,515
Assigned	-	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>448,918</u>	<u>506,562</u>	<u>24,509</u>	<u>140,526</u>	<u>1,120,515</u>
Total liabilities and fund balances	<u>\$ 448,943</u>	<u>\$ 552,269</u>	<u>\$ 92,921</u>	<u>\$ 164,254</u>	<u>\$ 1,258,387</u>

Capital Projects

Debt Service	Road and Street	2001 Certificates of Obligation	Oil and Gas Lease	Capital Projects	2011 PPFCO	Safe Routes to School	Total Capital Projects Funds	Total Nonmajor Funds
125,895	\$ 1,241	\$ -	\$ 109,987	\$ -	\$ 24,760	\$ -	\$ 135,988	\$ 1,236,483
14,080	-	-	-	-	-	-	-	189,127
-	-	-	55,571	-	-	-	55,571	97,243
-	-	-	-	23,425	-	644,429	667,854	667,854
<u>101</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,169</u>
<u>\$ 140,076</u>	<u>\$ 1,241</u>	<u>\$ -</u>	<u>\$ 165,558</u>	<u>\$ 23,425</u>	<u>\$ 24,760</u>	<u>\$ 644,429</u>	<u>\$ 859,413</u>	<u>\$ 2,257,876</u>
\$ -	\$ -	\$ -	\$ 24,265	\$ -	\$ -	\$ 78,317	\$ 102,582	\$ 181,932
985	41,728	-	68	-	-	566,112	607,908	667,415
14,080	-	-	-	-	-	-	-	14,080
<u>15,065</u>	<u>41,728</u>	<u>-</u>	<u>24,333</u>	<u>-</u>	<u>-</u>	<u>644,429</u>	<u>710,490</u>	<u>863,427</u>
125,011	-	-	141,225	-	24,760	-	165,985	1,411,511
-	-	-	-	23,425	-	-	23,425	23,425
-	(40,487)	-	-	-	-	-	(40,487)	(40,487)
<u>125,011</u>	<u>(40,487)</u>	<u>-</u>	<u>141,225</u>	<u>23,425</u>	<u>24,760</u>	<u>-</u>	<u>148,923</u>	<u>1,394,449</u>
<u>\$ 140,076</u>	<u>\$ 1,241</u>	<u>\$ -</u>	<u>\$ 165,558</u>	<u>\$ 23,425</u>	<u>\$ 24,760</u>	<u>\$ 644,429</u>	<u>\$ 859,413</u>	<u>\$ 2,257,876</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, 2013

	Special Revenues				
	Richland Hills Development Corporation	Crime Control District	Red Light Camera Enforce	Hotel Occupancy Tax	Total Special Revenue Funds
REVENUES					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	228,562	684,911	-	-	913,473
Hotel occupancy tax	-	-	-	194,967	194,967
Fines and fees	-	-	440,557	-	440,557
Intergovernmental	-	-	-	-	-
Interest	195	385	-	67	647
Other	-	-	-	-	-
Total revenues	<u>228,757</u>	<u>685,296</u>	<u>440,557</u>	<u>195,034</u>	<u>1,549,644</u>
EXPENDITURES					
Current:					
Public safety	-	690,748	368,552	-	1,059,300
Public works	-	-	-	-	-
Community development	70,141	-	-	137,043	207,184
Capital outlay	-	304,805	-	-	304,805
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>70,141</u>	<u>995,553</u>	<u>368,552</u>	<u>137,043</u>	<u>1,571,289</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>158,616</u>	<u>(310,257)</u>	<u>72,005</u>	<u>57,991</u>	<u>(21,645)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	959	-	-	-	959
Transfers out	<u>(132,697)</u>	<u>-</u>	<u>-</u>	<u>(14,010)</u>	<u>(146,707)</u>
Total other financing sources (uses)	<u>(131,738)</u>	<u>-</u>	<u>-</u>	<u>(14,010)</u>	<u>(145,748)</u>
NET CHANGE IN FUND BALANCES	26,878	(310,257)	72,005	43,981	(167,393)
FUND BALANCES, BEGINNING	<u>422,040</u>	<u>816,819</u>	<u>(47,496)</u>	<u>96,545</u>	<u>1,287,908</u>
FUND BALANCES, ENDING	<u>\$ 448,918</u>	<u>\$ 506,562</u>	<u>\$ 24,509</u>	<u>\$ 140,526</u>	<u>\$ 1,120,515</u>

Capital Projects

Debt Service	Road and Street	2001 Certificates of Obligation	Oil and Gas Lease	Capital Projects	2011 PPFCO	Safe Routes to School	Total Capital Projects Funds	Total Nonmajor Funds
\$ 158,913	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 158,913
-	-	-	-	-	-	-	-	913,473
-	-	-	-	-	-	-	-	194,967
-	-	-	-	-	-	-	-	440,557
-	131,140	-	-	-	-	1,754,485	1,885,625	1,885,625
65	23	7	163	-	-	-	193	905
-	-	-	<u>217,819</u>	-	-	-	<u>217,819</u>	<u>217,819</u>
<u>158,978</u>	<u>131,163</u>	<u>7</u>	<u>217,982</u>	-	-	<u>1,754,485</u>	<u>2,103,637</u>	<u>3,812,259</u>
-	-	-	-	-	-	-	-	1,059,300
-	253	-	2,500	-	-	-	2,753	2,753
-	-	-	-	-	-	-	-	207,184
-	183,391	7	397,642	-	-	1,754,485	2,335,525	2,640,330
238,000	-	-	-	-	-	-	-	238,000
<u>52,190</u>	-	-	-	-	-	-	-	<u>52,190</u>
<u>290,190</u>	<u>183,644</u>	<u>7</u>	<u>400,142</u>	-	-	<u>1,754,485</u>	<u>2,338,278</u>	<u>4,199,757</u>
(131,212)	(52,481)	-	(182,160)	-	-	-	(234,641)	(387,498)
132,698	-	-	-	-	-	-	-	133,657
-	-	-	-	-	-	-	-	(146,707)
<u>132,698</u>	-	-	-	-	-	-	-	(13,050)
1,486	(52,481)	-	(182,160)	-	-	-	(234,641)	(400,548)
<u>123,525</u>	<u>11,994</u>	-	<u>323,385</u>	<u>23,425</u>	<u>24,760</u>	-	<u>383,564</u>	<u>1,794,997</u>
<u>\$ 125,011</u>	<u>\$ (40,487)</u>	<u>\$ -</u>	<u>\$ 141,225</u>	<u>\$ 23,425</u>	<u>\$ 24,760</u>	<u>\$ -</u>	<u>\$ 148,923</u>	<u>\$ 1,394,449</u>

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SPECIAL REVENUE FUNDS

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CITY OF RICHLAND HILLS, TEXAS

RICHLAND HILLS DEVELOPMENT CORPORATION

SPECIAL REVENUE FUND

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
Sales and use tax	\$ 209,702	\$ 209,702	\$ 228,562	\$ 18,860
Interest income	<u>524</u>	<u>524</u>	<u>195</u>	<u>(329)</u>
Total revenues	<u>210,226</u>	<u>210,226</u>	<u>228,757</u>	<u>18,531</u>
EXPENDITURES				
Current:				
Community development	156,154	156,154	70,141	86,013
Capital outlay	<u>286,500</u>	<u>286,500</u>	<u>-</u>	<u>286,500</u>
Total expenditures	<u>442,654</u>	<u>442,654</u>	<u>70,141</u>	<u>372,513</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(232,428)</u>	<u>(232,428)</u>	<u>158,616</u>	<u>391,044</u>
OTHER FINANCING SOURCES AND (USES)				
Transfers in	-	-	959	(959)
Transfers out	<u>(132,698)</u>	<u>(132,698)</u>	<u>(132,697)</u>	<u>1</u>
Total other financing sources and uses	<u>(132,698)</u>	<u>(132,698)</u>	<u>(131,738)</u>	<u>960</u>
NET CHANGE IN FUND BALANCE	<u>(365,126)</u>	<u>(365,126)</u>	<u>26,878</u>	<u>392,004</u>
FUND BALANCE, BEGINNING	<u>422,040</u>	<u>422,040</u>	<u>422,040</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 56,914</u>	<u>\$ 56,914</u>	<u>\$ 448,918</u>	<u>\$ 392,004</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 YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Sales and use tax	\$ 692,857	\$ 692,857	\$ 684,911	\$ (7,946)
Interest	<u>761</u>	<u>761</u>	<u>385</u>	<u>(376)</u>
Total revenues	<u>693,618</u>	<u>693,618</u>	<u>685,296</u>	<u>(8,322)</u>
EXPENDITURES				
Current:				
Public safety	628,330	705,833	690,748	15,085
	<u>65,288</u>	<u>293,062</u>	<u>304,805</u>	<u>11,743</u>
Total expenditures	<u>693,618</u>	<u>998,895</u>	<u>995,553</u>	<u>26,828</u>
NET CHANGE IN FUND BALANCE	-	(305,277)	(310,257)	(4,980)
FUND BALANCE, BEGINNING	<u>816,819</u>	<u>816,819</u>	<u>816,819</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 816,819</u>	<u>\$ 511,542</u>	<u>\$ 506,562</u>	<u>\$ (4,980)</u>

CITY OF RICHLAND HILLS, TEXAS

RED LIGHT CAMERA ENFORCEMENT

SPECIAL REVENUE FUND

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Fines and fees	\$ 264,478	\$ 378,055	\$ 440,557	\$ 62,502
Total revenues	<u>264,478</u>	<u>378,055</u>	<u>440,557</u>	<u>62,502</u>
EXPENDITURES				
Current:				
Public safety	<u>242,078</u>	<u>355,655</u>	<u>368,552</u>	(12,897)
Total expenditures	<u>242,078</u>	<u>355,655</u>	<u>368,552</u>	(12,897)
NET CHANGE IN FUND BALANCE	22,400	22,400	72,005	49,605
FUND BALANCE, BEGINNING	(47,496)	(47,496)	(47,496)	-
FUND BALANCE, ENDING	<u><u>\$ (25,096)</u></u>	<u><u>\$ (25,096)</u></u>	<u><u>\$ 24,509</u></u>	<u><u>\$ 49,605</u></u>

CITY OF RICHLAND HILLS, TEXAS

HOTEL OCCUPANCY TAX

SPECIAL REVENUE FUND

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
Hotel occupancy tax	\$ 172,145	\$ 172,145	\$ 194,967	\$ 22,822
Interest income	<u>60</u>	<u>60</u>	<u>67</u>	<u>7</u>
Total revenues	<u>172,205</u>	<u>172,205</u>	<u>195,034</u>	<u>22,829</u>
EXPENDITURES				
Current:				
Community development	<u>155,199</u>	<u>155,199</u>	<u>137,043</u>	<u>18,156</u>
Total expenditures	<u>155,199</u>	<u>155,199</u>	<u>137,043</u>	<u>18,156</u>
EXCESS (DEFICIENCIES OVER (UNDER) EXPENDITURES	<u>17,006</u>	<u>17,006</u>	<u>57,991</u>	<u>40,985</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(14,010)	(14,010)	(14,010)	-
Total other financing sources (uses)	<u>(14,010)</u>	<u>(14,010)</u>	<u>(14,010)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	2,996	2,996	43,981	40,985
FUND BALANCE, BEGINNING	<u>96,545</u>	<u>96,545</u>	<u>96,545</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 99,541</u>	<u>\$ 99,541</u>	<u>\$ 140,526</u>	<u>\$ 40,985</u>

DEBT SERVICE FUNDS

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CITY OF RICHLAND HILLS, TEXAS

DEBT SERVICE FUND

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 158,698	\$ 159,128	\$ 158,913	\$(215)
Interest income	89	89	65	(24)
Total revenues	158,787	159,217	158,978	(239)
EXPENDITURES				
Debt service:				
Principal	238,000	238,000	238,000	-
Interest and fiscal charges	52,340	51,782	52,190	(408)
Total expenditures	290,340	289,782	290,190	(408)
EXCESS (DEFICIENCIES OVER (UNDER) EXPENDITURES	(131,553)	(130,565)	(131,212)	(647)
OTHER FINANCING SOURCES (USES)				
Transfers in	132,698	132,826	132,698	(128)
Total other financing sources (uses)	132,698	132,826	132,698	(128)
NET CHANGE IN FUND BALANCE	1,145	2,261	1,486	(775)
FUND BALANCE, BEGINNING	123,525	123,525	123,525	-
FUND BALANCE, ENDING	\$ 124,670	\$ 125,786	\$ 125,011	\$(775)

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CAPITAL PROJECTS FUNDS

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CITY OF RICHLAND HILLS, TEXAS

ROAD AND STREET

CAPITAL PROJECTS FUND

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
Intergovernmental	\$ 129,822	\$ 129,822	\$ 131,140	\$ 1,318
Interest	<u>47</u>	<u>47</u>	<u>23</u>	<u>(24)</u>
Total revenues	<u>129,869</u>	<u>129,869</u>	<u>131,163</u>	<u>1,294</u>
EXPENDITURES				
Capital outlay	<u>243,865</u>	<u>243,865</u>	<u>183,391</u>	<u>60,474</u>
Total expenditures	<u>243,865</u>	<u>243,865</u>	<u>183,644</u>	<u>60,221</u>
EXCESS (DEFICIENCIES OVER (UNDER) EXPENDITURES	(113,996)	(113,996)	(52,481)	61,515
FUND BALANCE, BEGINNING	<u>11,994</u>	<u>11,994</u>	<u>11,994</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ (102,002)</u>	<u>\$ (102,002)</u>	<u>\$ (40,487)</u>	<u>\$ 61,515</u>

CITY OF RICHLAND HILLS, TEXAS

2001 CERTIFICATES OF OBLIGATION

CAPITAL PROJECTS FUND

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Interest	\$ <u>100</u>	\$ <u>100</u>	\$ <u>7</u>	\$ <u>(93)</u>
Total revenues	<u>100</u>	<u>100</u>	<u>7</u>	<u>(93)</u>
EXPENDITURES				
Capital outlay	<u>-</u>	<u>-</u>	<u>7</u>	<u>(7)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>7</u>	<u>(7)</u>
EXCESS (DEFICIENCIES OVER (UNDER) EXPENDITURES	100	100	-	(100)
FUND BALANCE, BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, ENDING	\$ <u>100</u>	\$ <u>100</u>	\$ <u>-</u>	\$ <u>(100)</u>

CITY OF RICHLAND HILLS, TEXAS

OIL AND GAS LEASE

CAPITAL PROJECTS FUND

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Interest	\$ 100	\$ 100	\$ 163	\$ 63
Other	<u>88,456</u>	<u>187,461</u>	<u>217,819</u>	<u>30,358</u>
Total revenues	<u>88,556</u>	<u>187,561</u>	<u>217,982</u>	<u>30,421</u>
EXPENDITURES				
Public works	-	-	2,500	(2,500)
Capital outlay	<u>281,135</u>	<u>380,140</u>	<u>397,642</u>	<u>(17,502)</u>
Total expenditures	<u>281,135</u>	<u>380,140</u>	<u>400,142</u>	<u>(20,002)</u>
NET CHANGE IN FUND BALANCE	(192,579)	(192,579)	(182,160)	10,419
FUND BALANCE, BEGINNING	<u>323,385</u>	<u>323,385</u>	<u>323,385</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 130,806</u>	<u>\$ 130,806</u>	<u>\$ 141,225</u>	<u>\$ 10,419</u>

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**STATISTICAL DATA
(UNAUDITED)**

CITY OF RICHLAND HILLS, TEXAS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

	Fiscal Year		
	2004	2005	2006
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	4,947,499	4,364,948	4,303,817
Total governmental activities net position	\$ 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	1,418,343	1,113,198	1,092,985
Total business-type activities net position	\$ 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	6,365,842	5,478,146	5,396,802
Total primary government net position	\$ 21,918,434	\$ 21,907,346	\$ 21,618,519

Note:

The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

TABLE 1

Fiscal Year						
2007	2008	2009	2010	2011	2012	2013
\$ 8,973,364	\$ 8,565,062	\$ 8,108,808	\$ 8,215,829	\$ 7,815,576	\$ 7,603,080	\$ 9,777,284
384,137	412,610	439,715	375,753	1,542,536	1,811,780	1,245,956
<u>4,765,358</u>	<u>4,888,559</u>	<u>5,273,862</u>	<u>4,153,765</u>	<u>2,564,977</u>	<u>2,359,827</u>	<u>2,240,995</u>
<u>\$ 14,122,859</u>	<u>\$ 13,866,231</u>	<u>\$ 13,822,385</u>	<u>\$ 12,745,347</u>	<u>\$ 11,923,089</u>	<u>\$ 11,774,687</u>	<u>\$ 13,264,235</u>
\$ 5,705,248	\$ 5,945,512	\$ 6,093,323	\$ 6,194,852	\$ 7,255,716	\$ 6,893,293	\$ 7,096,222
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>	<u>1,170,660</u>	<u>2,745,136</u>	<u>3,811,452</u>
<u>\$ 7,144,943</u>	<u>\$ 6,744,822</u>	<u>\$ 7,150,929</u>	<u>\$ 7,116,865</u>	<u>\$ 8,426,376</u>	<u>\$ 9,638,429</u>	<u>\$ 10,907,674</u>
\$ 14,678,612	\$ 14,510,574	\$ 14,202,131	\$ 14,410,681	\$ 15,071,292	\$ 14,496,373	\$ 16,873,506
1,410,560	1,424,595	1,479,052	1,587,922	1,542,536	1,811,780	1,245,956
<u>5,178,630</u>	<u>4,675,884</u>	<u>5,292,131</u>	<u>3,863,609</u>	<u>3,735,637</u>	<u>5,104,963</u>	<u>6,052,447</u>
<u>\$ 21,267,802</u>	<u>\$ 20,611,053</u>	<u>\$ 20,973,314</u>	<u>\$ 19,862,212</u>	<u>\$ 20,349,465</u>	<u>\$ 21,413,116</u>	<u>\$ 24,171,909</u>

CITY OF RICHLAND HILLS, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	Fiscal Year		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
EXPENSES			
Governmental activities:			
General government	\$ 370,519	\$ 457,179	\$ 442,659
Public safety	3,288,139	3,364,721	3,719,164
Public works	1,156,453	1,128,504	1,147,289
Culture and recreation	279,752	292,394	295,554
Parks and beautification	23,299	51,542	39,120
Community development	188,511	83,218	70,075
Interest on long-term debt	<u>74,690</u>	<u>75,836</u>	<u>83,135</u>
Total governmental activities expenses	<u>5,381,363</u>	<u>5,453,394</u>	<u>5,796,996</u>
Business-type activities:			
Water and sewer	2,835,131	2,989,931	3,139,909
Drainage utility	<u>100,884</u>	<u>96,559</u>	<u>88,518</u>
Total business-type activities expenses	<u>2,936,015</u>	<u>3,086,490</u>	<u>3,228,427</u>
Total primary government program expenses	<u>\$ 8,317,378</u>	<u>\$ 8,539,884</u>	<u>\$ 9,025,423</u>
PROGRAM REVENUES			
Governmental activities:			
Charges for services:			
General government	\$ 248,913	\$ 297,003	\$ 314,430
Public safety	808,397	773,493	595,129
Public works	-	-	-
Community development	-	-	-
Operating grants and contributions	165,002	107,719	183,081
Capital grants and contributions	<u>130,963</u>	<u>150,505</u>	<u>61,929</u>
Total governmental activities program revenues	<u>1,353,275</u>	<u>1,328,720</u>	<u>1,154,569</u>
Business-type activities:			
Charges for services:			
Water and sewer	2,693,304	2,902,880	3,088,235
Drainage utility	151,488	154,060	152,743
Capital grants and contributions	<u>-</u>	<u>126,000</u>	<u>134,492</u>
Total business-type activities program revenues	<u>2,844,792</u>	<u>3,182,940</u>	<u>3,375,470</u>
Total primary government program revenues	<u>\$ 4,198,067</u>	<u>\$ 4,511,660</u>	<u>\$ 4,530,039</u>

Note:

The City began to report accrued information when it implemented GASB Statement 34 in fiscal year 2004.

TABLE 2

							Fiscal Year
2007	2008	2009	2010	2011	2012	2013	
\$ 431,748	\$ 381,991	\$ 396,736	\$ 409,627	\$ 452,544	\$ 628,950	\$ 654,916	
4,179,157	4,548,288	4,727,024	5,269,229	5,032,257	4,903,622	4,977,046	
1,203,362	1,277,037	1,445,582	1,339,330	1,151,899	1,211,553	716,031	
302,913	329,331	317,101	364,142	453,741	389,982	435,470	
40,783	43,290	46,457	26,670	21,182	34,013	15,628	
100,409	83,792	135,632	126,422	612,100	614,100	757,894	
<u>92,682</u>	<u>91,450</u>	<u>82,847</u>	<u>74,760</u>	<u>56,979</u>	<u>79,132</u>	<u>70,283</u>	
<u>6,351,054</u>	<u>6,755,179</u>	<u>7,151,379</u>	<u>7,610,180</u>	<u>7,780,702</u>	<u>7,861,352</u>	<u>7,627,268</u>	
3,472,363	3,519,155	3,564,422	3,904,845	3,845,749	3,647,012	3,183,727	
118,124	250,726	134,218	153,742	440,644	328,298	548,407	
<u>3,590,487</u>	<u>3,769,881</u>	<u>3,698,640</u>	<u>4,058,587</u>	<u>4,286,393</u>	<u>3,975,310</u>	<u>3,732,134</u>	
<u>\$ 9,941,541</u>	<u>\$ 10,525,060</u>	<u>\$ 10,850,019</u>	<u>\$ 11,668,767</u>	<u>\$ 12,067,095</u>	<u>\$ 11,836,662</u>	<u>\$ 11,359,402</u>	
\$ 266,339	\$ 257,878	\$ 174,566	\$ 189,645	\$ 279,595	\$ 150,242	\$ 109,538	
1,271,650	804,512	772,830	816,496	972,419	869,715	1,147,085	
-	-	-	-	34,245	-	-	
-	-	-	-	22,887	20,498	24,582	
152,616	179,182	164,926	230,056	268,290	377,544	382,669	
<u>130,204</u>	<u>97,423</u>	<u>352,102</u>	<u>226,239</u>	<u>393,993</u>	<u>280,848</u>	<u>1,885,625</u>	
<u>1,820,809</u>	<u>1,338,995</u>	<u>1,464,424</u>	<u>1,462,436</u>	<u>1,971,429</u>	<u>1,698,847</u>	<u>3,549,499</u>	
2,712,339	3,133,427	3,167,127	3,313,932	4,544,897	4,280,409	4,116,584	
155,034	177,406	662,405	691,018	738,144	778,213	817,330	
-	-	-	-	-	-	-	
<u>2,867,373</u>	<u>3,310,833</u>	<u>3,829,532</u>	<u>4,004,950</u>	<u>5,283,041</u>	<u>5,058,622</u>	<u>4,933,914</u>	
<u>\$ 4,688,182</u>	<u>\$ 4,649,828</u>	<u>\$ 5,293,956</u>	<u>\$ 5,467,386</u>	<u>\$ 7,254,470</u>	<u>\$ 6,757,469</u>	<u>\$ 8,483,413</u>	

CITY OF RICHLAND HILLS, TEXAS

**CHANGES IN NET POSITION
(Continued)
LAST TEN FISCAL YEARS**

	Fiscal Year		
	2004	2005	2006
NET (EXPENSE) REVENUES			
Governmental activities	\$(4,028,088)	\$(4,124,674)	\$(4,642,427)
Business-type activities	<u>(91,223)</u>	<u>96,450</u>	<u>147,043</u>
Total primary government net expense	<u>(4,119,311)</u>	<u>(4,028,224)</u>	<u>(4,495,384)</u>
 GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS			
Governmental activities:			
Taxes			
Property	1,651,585	1,706,980	1,772,300
Sales	1,380,471	1,456,326	1,601,495
Franchise	652,268	436,661	598,861
Hotel occupancy	-	-	-
Investment earnings	41,932	76,521	136,546
Miscellaneous	-	288,683	-
Transfers	<u>-</u>	<u>(66,062)</u>	<u>(35,594)</u>
Total governmental activities	<u>3,726,256</u>	<u>3,899,109</u>	<u>4,073,608</u>
 Business-type activities:			
Investment earnings	27,137	51,965	97,355
Miscellaneous	-	-	-
Transfers	<u>-</u>	<u>66,062</u>	<u>35,594</u>
Total business-type activities	<u>27,137</u>	<u>118,027</u>	<u>132,949</u>
 Total primary government	<u>3,753,393</u>	<u>4,017,136</u>	<u>4,206,557</u>
 CHANGE IN NET ASSETS			
Governmental activities	(301,832)	(225,565)	(568,819)
Business-type activities	<u>(64,086)</u>	<u>214,477</u>	<u>279,992</u>
 Total primary government	<u>\$(365,918)</u>	<u>\$(11,088)</u>	<u>\$(288,827)</u>

TABLE 2

Fiscal Year						
2007	2008	2009	2010	2011	2012	2013
<u>\$(4,530,245)</u>	<u>\$(5,416,184)</u>	<u>\$(5,686,955)</u>	<u>\$(6,147,744)</u>	<u>\$(5,809,273)</u>	<u>\$(6,162,505)</u>	<u>\$(4,077,769)</u>
<u>(723,114)</u>	<u>(459,048)</u>	<u>130,892</u>	<u>(53,637)</u>	<u>996,648</u>	<u>1,083,312</u>	<u>1,201,780</u>
<u>(5,253,359)</u>	<u>(5,875,232)</u>	<u>(5,556,063)</u>	<u>(6,201,381)</u>	<u>(4,812,625)</u>	<u>(5,079,193)</u>	<u>(2,875,989)</u>
1,858,628	1,927,273	2,083,969	2,119,563	2,197,570	2,204,507	2,174,946
2,067,016	2,457,930	2,262,356	2,210,327	2,593,770	3,077,839	2,743,469
552,072	543,654	562,590	480,222	509,015	651,374	471,759
-	-	52,079	121,561	152,597	182,112	194,967
159,705	64,126	9,476	3,925	3,806	2,416	2,076
61,441	166,573	938,837	151,306	97,145	12,053	8,513
<u>(16,198)</u>	<u>-</u>	<u>(266,198)</u>	<u>(16,198)</u>	<u>(300,788)</u>	<u>(116,198)</u>	<u>(57,091)</u>
<u>4,682,664</u>	<u>5,159,556</u>	<u>5,643,109</u>	<u>5,070,706</u>	<u>5,253,115</u>	<u>6,014,103</u>	<u>5,538,639</u>
203,780	58,927	9,017	3,375	6,347	4,618	4,141
-	-	-	-	5,728	7,925	6,233
16,198	-	266,198	16,198	300,788	116,198	57,091
<u>219,978</u>	<u>58,927</u>	<u>275,215</u>	<u>19,573</u>	<u>312,863</u>	<u>128,741</u>	<u>67,465</u>
<u>4,902,642</u>	<u>5,218,483</u>	<u>5,918,324</u>	<u>5,090,279</u>	<u>5,565,978</u>	<u>6,142,844</u>	<u>5,606,104</u>
152,419	(256,628)	(43,846)	(1,077,038)	(556,158)	(148,402)	1,489,548
<u>(503,136)</u>	<u>(400,121)</u>	<u>406,107</u>	<u>(34,064)</u>	<u>1,309,511</u>	<u>1,212,053</u>	<u>1,269,245</u>
<u>\$(350,717)</u>	<u>\$(656,749)</u>	<u>\$ 362,261</u>	<u>\$(1,111,102)</u>	<u>\$ 753,353</u>	<u>\$ 1,063,651</u>	<u>\$ 2,758,793</u>

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TABLE 3

CITY OF RICHLAND HILLS, TEXAS

FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General fund										
Reserved	\$ 64,074	\$ 65,997	\$ 70,206	\$ 88,573	\$ 94,104	\$ 83,381	\$ 959,203	\$ -	\$ -	\$ -
Nonspendable	-	-	-	-	-	-	-	830,477	663,958	432,896
Unassigned	-	-	-	-	-	-	-	1,496,041	1,404,689	1,549,578
Unreserved	<u>2,385,941</u>	<u>2,343,951</u>	<u>2,511,373</u>	<u>2,753,628</u>	<u>2,789,037</u>	<u>2,483,768</u>	<u>1,115,619</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general fund	<u>\$ 2,450,015</u>	<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>	<u>\$ 2,326,518</u>	<u>\$ 2,068,647</u>	<u>\$ 1,982,474</u>
All other governmental funds										
Reserved	\$ 54,928	\$ 50,235	\$ 49,069	\$ 376,513	\$ 403,585	\$ 408,406	\$ 351,107	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	1,615,422	1,819,068	1,411,511
Assigned	-	-	-	-	-	-	-	23,425	23,425	23,425
Unassigned	-	-	-	-	-	-	-	-	(47,496)	(40,487)
Unreserved, reported in:										
Special revenue funds	1,591,364	628,864	721,920	815,053	1,041,506	1,002,259	1,004,795	-	-	-
Capital projects funds	<u>132,004</u>	<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>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 1,778,296</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>	<u>\$ 1,638,847</u>	<u>\$ 1,794,997</u>	<u>\$ 1,394,449</u>

TABLE 4

CITY OF RICHLAND HILLS, TEXAS

**CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

LAST TEN FISCAL YEARS

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
REVENUES										
Taxes	\$ 3,695,904	\$ 3,607,405	\$ 3,963,676	\$ 4,420,262	\$ 4,942,857	\$ 4,945,924	\$ 4,935,890	\$ 5,683,400	\$ 6,074,453	\$ 5,634,403
Fines and fees	628,542	601,459	407,187	1,015,339	722,672	614,228	654,673	623,663	638,238	901,659
Licenses, permits, fees	93,345	89,062	109,134	135,319	136,745	69,108	111,859	274,680	144,736	99,370
Charges for services	157,989	270,299	285,603	249,631	237,077	237,184	240,425	253,010	263,253	279,873
Intergovernmental	295,965	258,224	182,962	168,050	166,444	426,644	382,703	499,954	337,263	1,989,549
Investment earnings	41,932	76,521	136,546	159,705	64,126	9,476	3,925	3,806	2,416	2,076
Other	64,393	378,990	73,952	105,921	231,634	984,144	194,319	191,828	340,957	287,258
Total revenues	<u>4,978,070</u>	<u>5,281,960</u>	<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>	<u>7,530,341</u>	<u>7,801,316</u>	<u>9,194,188</u>
EXPENDITURES										
General government	321,629	421,849	535,853	339,869	338,417	358,134	378,811	424,446	838,508	610,000
Public safety	3,168,141	3,277,700	3,451,450	3,941,780	4,306,075	4,325,390	4,900,216	4,575,681	4,728,371	4,677,900
Public works	688,937	1,428,254	326,348	349,109	493,330	656,433	510,250	276,251	298,169	394,109
Culture and recreation	254,129	262,553	276,603	284,706	308,140	293,622	329,463	382,008	370,103	389,945
Parks and beautification	72,567	58,976	40,649	9,311	11,818	16,005	4,256	10,378	26,991	8,110
Community and developmen	184,174	78,523	68,552	91,984	75,688	154,213	197,391	592,442	620,579	753,020
Capital outlay	269,334	396,212	707,548	321,570	954,855	472,993	913,798	1,235,800	537,927	2,853,936
Debt service										
Principal	200,000	210,000	200,000	191,000	223,000	242,000	251,000	331,000	293,000	308,000
Interest	75,603	66,662	78,471	83,867	99,393	79,663	71,249	83,958	73,191	81,240
Bond issuance costs	-	11,401	12,069	13,500	-	-	-	-	-	-
Total expenditures	<u>5,234,514</u>	<u>6,212,130</u>	<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>	<u>7,911,964</u>	<u>7,786,839</u>	<u>10,076,260</u>

CITY OF RICHLAND HILLS, TEXAS

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
(Continued)
LAST TEN FISCAL YEARS

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (256,444)	\$ (930,170)	\$ (538,483)	\$ 627,531	\$ (309,161)	\$ 688,255	\$ (1,032,640)	\$ (381,623)	\$ 14,477	\$ (882,072)
OTHER FINANCING SOURCES (USES)										
Proceeds from sale of general capital assets	-	700	25,546	8,955	32,648	51,600	20,728	40,709	-	37,442
Proceeds from issuance of bonds	-	400,000	415,000	535,000	-	-	-	473,000	-	415,000
Proceeds from insurance re	-	-	-	-	-	-	-	50,146	-	-
Operating transfers in	179,153	181,130	122,863	259,808	244,780	260,887	320,113	133,006	144,110	146,707
Operating transfers out	(179,153)	(247,192)	(158,457)	(276,006)	(244,780)	(527,085)	(336,311)	(333,006)	(260,308)	(203,798)
Total other financing sources (uses)	-	334,638	404,952	527,757	32,648	(214,598)	4,530	363,855	(116,198)	395,351
NET CHANGE IN FUND BALANCES	\$ (256,444)	\$ (595,532)	\$ (133,531)	\$ 1,155,288	\$ (276,513)	\$ 473,657	\$ (1,028,110)	\$ (17,768)	\$ (101,721)	\$ (486,721)
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	<u>5.55%</u>	<u>4.76%</u>	<u>5.58%</u>	<u>5.18%</u>	<u>5.77%</u>	<u>5.40%</u>	<u>5.02%</u>	<u>6.12%</u>	<u>5.25%</u>	<u>5.36%</u>

CITY OF RICHLAND HILLS, TEXAS

GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE

LAST TEN FISCAL YEARS (UNAUDITED)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Beverage Tax</u>	<u>Franchise Tax</u>	<u>Hotel Occupancy Tax</u>	<u>Total</u>
2004	1,646,132	1,438,350	2,216	609,206	-	3,695,904
2005	1,704,550	1,410,246	1,902	490,707	-	3,607,405
2006	1,775,844	1,611,844	1,746	574,242	-	3,963,676
2007	1,861,429	1,997,967	2,102	558,764	-	4,420,262
2008	1,918,082	2,470,907	2,140	551,728	-	4,942,857
2009	2,079,168	2,252,568	1,955	560,154	52,079	4,945,924
2010	2,101,899	2,194,903	1,716	515,811	121,561	4,935,890
2011	2,194,904	2,816,917	1,661	517,321	152,597	5,683,400
2012	2,205,032	3,076,426	1,413	609,470	182,112	6,074,453
2013	2,187,394	2,741,969	1,500	508,573	194,967	5,634,403

TABLE 6**CITY OF RICHLAND HILLS, TEXAS****APPRAISED AND TAXABLE VALUE PROPERTY (1)****LAST TEN FISCAL YEARS (UNAUDITED)**

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
2004	\$ 232,221,028	\$ 71,893,437	\$ 10,370,809	\$ 4,362,796	\$ 84,216,038	\$ 16,367,789	\$ 386,696,319	\$ 0.428441
2005	238,701,345	74,988,130	10,289,818	3,687,521	75,910,560	16,398,666	387,178,708	0.436297
2006	257,185,035	79,703,585	11,691,714	3,273,159	78,292,805	23,779,179	406,367,119	0.435898
2007	267,292,330	76,414,116	9,490,948	3,081,828	86,566,380	24,127,523	418,718,079	0.442094
2008	263,989,606	84,778,256	9,904,412	578,752	87,309,399	22,812,614	423,747,811	0.450670
2009	277,842,821	88,909,432	10,479,108	272,405	95,675,055	25,027,659	448,151,162	0.459202
2010	284,264,270	105,533,139	10,743,321	237,868	90,162,865	35,902,483	455,038,980	0.473042
2011	268,570,340	114,245,698	10,064,358	507,056	73,756,974	35,562,818	431,581,608	0.518012
2012	245,970,064	108,710,252	10,440,987	435,104	71,202,225	35,315,955	401,442,677	0.551757
2013	233,751,444	132,749,662	11,100,542	4,133,920	78,054,664	39,336,819	420,453,413	0.528094

Source (1) Tarrant Appraisal District

TABLE 7

CITY OF RICHLAND HILLS, TEXAS

**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
PER \$100 ASSESSED VALUATION**

LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	City of Richland Hills			Birdville Independent	Tarrant County	Hospital District	Junior College	Total Levy
	Operations	Debt Service	Total	School District				
2004	\$ 0.388374	\$ 0.040067	\$ 0.428441	\$ 1.617000	\$ 0.292500	\$ 0.235400	\$ 0.139580	\$ 2.712921
2005	0.398093	0.038204	0.436297	1.617000	0.272500	0.235397	0.139380	2.700574
2006	0.398218	0.037680	0.435898	1.617000	0.272500	0.235397	0.139380	2.700175
2007	0.401180	0.040914	0.442094	1.565000	0.271500	0.235397	0.139380	2.653371
2008	0.398000	0.052670	0.450670	1.405000	0.264000	0.227897	0.139600	2.487167
2009	0.408773	0.050429	0.459202	1.410000	0.264000	0.227897	0.137960	2.499059
2010	0.423707	0.049335	0.473042	1.405000	0.264000	0.227897	0.137670	2.507609
2011	0.466951	0.051061	0.518012	1.425000	0.264000	0.227897	0.137640	2.572549
2012	0.485915	0.065842	0.551757	1.435000	0.264000	0.227897	0.148970	2.627624
2013	0.465214	0.062880	0.528094	1.435000	0.264000	0.227897	0.148970	2.603961

TABLE 8

CITY OF RICHLAND HILLS, TEXAS

TOP TEN TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

Taxpayer	Nature of Business	2013		Percentage		2004		Percentage	
		Taxable Assessed Valuation*	Rank	of Total Assessed Valuation (1)	Assessed	Taxable Assessed Valuation*	Rank	of Total Assessed Valuation (1)	
First Industrial, LP	Real Estate/Commercial	\$ 11,888,728	1	2.8%	\$ 18,271,727	1	4.7%		
Southwestern Bell	Utility	6,574,185	2	1.6%	13,020,142	2	3.4%		
Chesapeake Equipment Finance	Oil/Gas	6,450,000	3	1.5%					
Stuart C Irby Company	Retailer	5,153,118	4	1.2%	3,312,738	6	0.9%		
Oncor Electric Delivery Co.	Utility	4,770,737	5	1.1%	3,782,449	5	1.0%		
Regency Raintree	Apartments	4,484,200	6	1.1%	5,383,767	3	1.4%		
AHC Richland Hills	Apartments	3,552,000	7	0.8%					
Hung Properties #1 LP	Apartments	3,125,000	8	0.7%					
CNN Churchill III	Hotel	3,034,869	9	0.7%					
Chesapeake Operating	Oil/Gas	2,991,300	10	0.7%					
Rewal Corp II	Real Estate/Commercial	-		-	3,000,000	9	0.8%		
Enkei International Inc	Retailer	-		-	4,335,256	4	1.1%		
Edward L Baker	Real Estate/Commercial	-		-	3,306,808	7	0.9%		
NH Texas Properties Ltd	Real Estate/Commercial	-		-	3,083,000	8	0.8%		
Colormatrix Corp	Retailer	-		-	2,315,811	10	0.6%		
Total assessed value of ten largest taxpayers		\$ 52,024,137		12.3%	\$ 59,811,698		15.5%		
Total assessed value of other taxpayers		<u>368,429,276</u>		<u>87.7%</u>	<u>326,884,621</u>		<u>84.5%</u>		
Total assessed value of all taxpayers		<u>\$ 420,453,413</u>		<u>100.0%</u>	<u>\$ 386,696,319</u>		<u>100.0%</u>		

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

* Source: Tarrant Appraisal District
Taxpayers assessed on January 1, 2011 (2011 tax year for the 2011-2012 fiscal year)

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TABLE 9

CITY OF RICHLAND HILLS, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Delinquent Taxes to Tax Levy
2004	\$1,644,836	\$1,603,413	97.5%	\$ 23,543	\$ 1,626,957	98.9%	\$ 122,599	7.5%
2005	1,689,249	1,655,590	98.0%	27,702	1,683,292	99.6%	126,072	7.5%
2006	1,751,452	1,723,421	98.4%	26,851	1,750,272	99.9%	121,009	6.9%
2007	1,844,254	1,819,972	98.7%	19,966	1,839,938	99.8%	116,610	6.3%
2008	1,910,234	1,879,312	98.4%	17,681	1,896,993	99.3%	129,927	6.8%
2009	2,064,779	2,030,068	98.3%	22,357	2,052,425	99.4%	136,798	6.6%
2010	2,134,498	2,086,380	97.7%	(9,828)	2,076,552	97.3%	162,118	7.6%
2011	2,177,631	2,138,363	98.2%	29,056	2,167,418	99.5%	166,039	7.6%
2012	2,183,418	2,155,888	98.7%	23,722	2,179,610	99.8%	165,288	7.6%
2013	2,162,748	2,119,438	98.0%	40,146	2,159,584	99.9%	167,619	7.8%

CITY OF RICHLAND HILLS, TEXAS

TAXABLE SALES BY CATEGORY

LAST TEN CALENDAR YEARS (UNAUDITED)

	Calendar Year			
	2003	2004	2005	2006
Construction	\$ 20,021,534	\$ 22,892,652	\$ 17,936,621	\$ 20,794,398
Manufacturing	4,423,652	7,812,855	11,187,900	10,257,696
Wholesale Trade	21,497,139	19,761,013	29,854,627	38,193,847
Retail Trade	13,340,753	11,954,491	11,342,161	10,063,701
Transportation/Warehousing	2,377	8,706	12,063	7,006
Information	1,619,087	790,851	2,118,919	513,669
Real Estate/Rental/Leasing	-	-	10,319	9,732
Professional/Scientific/Technical Services	2,667,761	2,346,570	2,891,198	3,963,816
Administrative/Waste Management/ Remediation Services	41,394,904	36,258,379	24,200,832	5,720,616
Educational Services	-	83	5,085	282
Health Care/Social Assistance	-	-	-	1,761
Arts/Entertainment/Recreation	85,447	-	-	23,821
Accommodation/Food Services	6,162,115	5,881,429	5,476,129	5,520,323
Other Services	4,003,424	3,913,483	3,855,000	3,046,218
Other	75,154	138,434	-	-
Total	\$ <u>115,293,347</u>	\$ <u>111,758,946</u>	\$ <u>108,890,854</u>	\$ <u>98,116,886</u>
City direct sales tax rate	1.00%	1.00%	1.00%	1.00%

Source: Texas Comptroller of Public Accounts

TABLE 10

Calendar Year						
2007	2008	2009	2010	2011	2012	
\$ 18,374,108	\$ 23,881,380	\$ 18,886,577	\$ 11,828,234	\$ 11,249,406	\$ 12,709,332	
7,914,159	6,347,714	5,661,817	5,675,971	4,665,073	2,571,843	
41,068,220	50,674,366	38,372,556	42,179,004	39,795,387	76,100,674	
8,905,776	8,887,046	8,542,823	9,190,270	9,934,935	11,802,169	
3,389	-	8,824	5,502	9,048	15,211	
67,028	1,085,520	5,565,666	6,666,544	7,706,160	15,412,460	
11,003	40,147	39,202	175,225	-	-	
4,413,397	3,306,050	3,225,222	1,863,805	1,741,002	1,200,937	
44,681,341	41,635,997	43,055,087	43,444,315	46,392,940	38,087,246	
459	-	1,721	5,830	1,940	577	
72,425	85,876	28,975	13,583	19,692	29,962	
32,869	9,816	-	-	59,066	4,610	
5,855,259	5,918,261	5,800,883	5,661,702	5,975,350	6,347,157	
3,670,592	5,752,124	6,835,836	7,748,713	11,699,691	13,928,484	
-	-	-	-	-	-	
<u>\$ 135,070,025</u>	<u>\$ 147,624,297</u>	<u>\$ 136,025,189</u>	<u>\$ 134,458,698</u>	<u>\$ 139,249,690</u>	<u>\$ 178,210,662</u>	
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	

CITY OF RICHLAND HILLS, TEXAS

RATIO OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Governmental Activities					Business-type Activities		
	General Obligation	Combination Tax & Revenue Certificates of Obligation	Public Property Finance Contractual Obligations	Tax Notes	Lease/Purchases	Revenue Bonds	Combination Tax & Revenue Certificates of Obligation	Lease/Purchases
2004	\$ 65,000	\$ 1,160,000	\$ 155,000	-	-	\$ 1,910,000	\$ 3,180,000	-
2005	-	1,090,000	80,000	400,000	-	1,840,000	3,020,000	-
2006	-	1,015,000	-	770,000	-	1,765,000	2,850,000	-
2007	-	935,000	535,000	659,000	-	1,690,000	4,780,000	423,513
2008	-	855,000	515,000	536,000	-	1,610,000	4,515,000	384,306
2009	-	770,000	485,000	409,000	-	1,525,000	4,245,000	343,336
2010	-	680,000	455,000	278,000	-	1,435,000	6,710,000	300,521
2011	-	580,000	425,000	77,000	-	1,340,000	6,360,000	255,780
2012	-	475,000	787,000	-	-	-	7,055,000	209,026
2013	-	365,000	1,004,000	-	-	-	12,230,000	160,167

TABLE 11

	<u>Total Government- Wide Indebtedness</u>	<u>Estimated Population</u>	<u>Total Debt per Capita</u>	<u>Per Capita Income</u>	<u>Per Capita Debt as Percent of Per Capita Income</u>
\$	6,470,000	8,300	779.52	20,247	3.85%
	6,430,000	8,300	774.70	20,247	3.83%
	6,400,000	8,300	771.08	20,247	3.81%
	9,022,513	8,300	1,087.05	20,247	5.37%
	8,415,306	8,350	1,007.82	20,247	4.98%
	7,777,336	8,350	931.42	20,247	4.60%
	9,858,521	8,094	1,218.00	22,682	5.37%
	9,037,780	7,801	1,158.54	22,682	5.11%
	8,526,026	7,801	1,092.94	22,682	4.82%
	13,759,167	7,801	1,763.77	22,682	7.78%

TABLE 12

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)

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
2004	8,132	\$ 386,696,319	\$ 220,000	\$ 48,976	\$ 171,024	0.04%	\$ 21
2005	8,300	387,178,708	480,000	50,235	429,765	0.11%	51.78
2006	8,300	406,367,119	770,000	49,069	720,931	0.18%	86.86
2007	8,300	418,718,079	1,194,000	75,409	1,118,591	0.27%	134.77
2008	8,300	423,747,811	1,051,000	100,322	950,678	0.22%	114.54
2009	8,300	448,151,162	894,000	132,211	761,789	0.17%	91.78
2010	8,094	455,038,980	733,000	134,841	598,159	0.13%	73.90
2011	7,801	431,581,608	502,000	92,309	409,691	0.09%	52.52
2012	7,801	401,442,677	787,000	123,525	663,475	0.17%	85.05
2013	7,801	420,453,413	1,004,000	125,011	878,989	0.21%	112.68

*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)

<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>
2004	\$ 200,000	\$ 75,603	\$ 275,603	\$ 5,234,514	5.27%
2005	210,000	66,662	276,662	6,212,130	4.45%
2006	200,000	78,471	278,471	5,697,543	4.89%
2007	191,000	83,867	274,867	5,626,696	4.89%
2008	223,000	99,393	322,393	6,810,716	4.73%
2009	242,000	79,663	321,663	6,598,453	4.87%
2010	251,000	71,249	322,249	7,556,434	4.26%
2011	331,000	60,958	391,958	7,911,964	4.95%
2012	293,000	73,191	366,191	7,786,839	4.70%
2013	238,000	52,190	290,190	10,076,260	2.88%

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

CITY OF RICHLAND HILLS, TEXAS

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

SEPTEMBER 30, 2013 (UNAUDITED)

Name of Government	General Bonded Debt Outstanding	Percentage Applicable to City of Richland Hills	Amount Applicable to City of Richland Hills
City of Richland Hills	\$ 1,004,000	100.00%	\$ <u>1,004,000</u>
Total direct debt			<u>1,004,000</u>
Birdville Independent School District	203,760,000	7.40%	15,078,240
Tarrant County Junior College	14,092,000	0.66%	93,007
Tarrant County Hospital District	49,780,000	0.66%	328,548
Tarrant County	336,134,000	0.66%	<u>2,218,484</u>
Total overlapping debt			<u>17,718,280</u>
Total overlapping debt			<u>\$ 18,722,280</u>

TABLE 15

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

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2004	\$2,871,929	\$ 2,458,949	\$ 412,980	\$ 220,000	\$ 222,484	\$ 442,484	0.93
2005	3,108,905	2,616,366	492,539	230,000	213,775	443,775	1.11
2006	3,343,333	2,660,354	682,979	245,000	204,527	449,527	1.52
2007	2,944,485	2,889,517	54,968	309,678	225,955	535,633	0.10
2008	3,184,647	2,833,896	350,751	384,207	284,618	668,825	0.52
2009	3,175,817	2,865,189	310,628	395,971	269,079	665,050	0.47
2010	3,316,466	3,158,012	158,454	417,815	252,796	670,611	0.24
2011	4,552,311	3,092,824	1,459,487	439,741	235,405	675,146	2.16
2012	4,290,606	3,056,183	1,234,423	501,754	137,420	639,174	1.93
2013	4,124,847	2,538,500	1,586,347	498,858	139,755	638,613	2.48

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, 2013 (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 2013 was established at \$.528094 per \$100 of assessed valuation based on 100% of appraised value.

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

Year	Estimated Population	Median Household Income	Per Capita Personal Income	School Enrollment	Unemployment Rate
2004	8132	\$ 43,377	\$ 20,247	1593	3.8%
2005	8300	43,377	20,247	1593	4.5%
2006	8300	43,377	20,247	1593	4.2%
2007	8300	43,377	20,247	1593	3.8%
2008	8350	43,377	20,247	1593	5.8%
2009	8350	43,377	20,247	1593	8.0%
2010	8094	46,918	22,682	1441	8.0%
2011	7801	46,918	22,682	1441	7.8%
2012	7801	50,788	22,682	1441	6.0%
2013	7801	50,788	22,682	1441	6.0%

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

CITY OF RICHLAND HILLS, TEXAS

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

Name of Company	Nature of Business	2013		2004		2004	
		Number of Employees	Rank	Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Birdville ISD (3 Schools)	Independent School District	178	1	3.5%	150	2	1.9%
Harris Packaging	Corrugated boxes	120	2	2.4%	90	6	1.1
Lexington Place Nursing and Rehabilitation Services	Nursing and personal care	101	3	2.0%			
Valley Dynamo	Table top games	100	4	2.0%			
Hamilton Form Company	Industrial machinery and equipment	100	5	2.0%	100	4	1.3%
City of Richland Hills	Municipality	78	6	1.5%	81	8	1.0%
Royal Bath	Plastic plumbing fixture manufacturing	72	7	1.4%			
Sterling House Nursing Home	Nursing and personal care	65	8	1.3%			
Trugreen Chemlawn	Landscape and horticulture	60	9	1.2%	60	10	0.8%
Richland Hills Nursing Home	Nursing and personal care	59	10	1.2%	85	9	1.1%
Dyna Ten Company	Plumbing, heating, air conditioning	-		0.0%	275	1	3.5%
Nesbitt Building Maintenance Inc.	Cleaning, maintenance service	-		0.0%	125	3	1.6%
Security Link	Business services, miscellaneous	-		0.0%	100	5	1.3%
Dynamo Limited	Video games manufacturer	-		- %	85	7	1.1%
		<u>933</u>		<u>18.3%</u>	<u>1,151</u>		<u>14.5%</u>

Source: City Records
 North Central Texas Council of Governments

TABLE 19

CITY OF RICHLAND HILLS, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS (UNAUDITED)

Function/Program	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Physical Arrests	702	699	621	683	500	503	597	542	327	354
Number of law violations	555	470	271	539	3396	3885	3511	3693	1090	1279
Fire										
Number of fire runs	595	569	475	613	612	541	543	480	477	1375
Number of EMS runs	1064	1252	897	807	845	813	920	889	898	909
Public Works - Streets										
Street Resurfacing (miles)	0.5	0.6	0.5	0.3	0.3	0.2	1.35	23	0.33	1
Potholes repaired	130	132	128	134	118	123	123	184	517	207
Public Works - Water/Wastewater										
New Connections	22	18	14	7	38	18	12	21	1	2
Water main breaks	22	19	24	23	26	25	43	18	30	9
Average daily consumption (thousand of gallons)	893	1023	831	806	925	921	836	955	879	882
Peak daily consumption (thousand of gallons)	976	1,130	1,430	1,220	1,800	1,610	1,552	1,670	1,716	1,517
Average daily sewer treatment (thousands of gallons)	991	1120	977	1381	902	880	1499	688	697	468
Library										
Volumes collection	37042	38858	38476	38721	39393	37954	37562	41310	36346	40276
Total volumes borrowed	48300	45816	41544	35004	40056	42288	36398	39208	34678	5218

Sources: Various City Departments

TABLE 20

CITY OF RICHLAND HILLS, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS (UNAUDITED)

<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>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	10	10	11	11	11	11	11	11	11	11
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Fire Trucks	2	2	2	2	2	2	2	2	2	2
Ambulances	1	1	1	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	43.51	43.51	43.51
Streetlights	462	462	462	462	462	462	462	462	462	462
Traffic Signals	9	9	9	9	9	9	9	9	9	9
Public Works - Water/Wastewater										
Water mains (miles)	47	47	47	47	47	47	47	47	47	47
Fire Hydrants	350	350	350	350	350	350	350	350	350	350
Storage capacity (thousand of gallons)	2360	2360	2360	2360	2360	2360	2360	2360	2360	2360
Sanitary Sewer (miles)	60	60	60	60	60	60	60	60	60	60
Storm sewers (miles)	2.5	2.5	2.5	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	4	4	4
Parks acreage	12.1	12.1	12.1	12.1	12.1	12.1	12.1	12.1	12.1	12.1
Community Center	1	1	1	1	1	1	1	1	1	1
Playgrounds	3	3	3	3	3	3	3	3	3	3

Sources: Various City Departments

CITY OF RICHLAND HILLS, TEXAS

FULL -TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS (UNAUDITED)

Function/Program	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government										
Aministration	5	5	6	6	6	6	6	6	6	7
City Secretary	1	1	1	1	1	1	1	1	1	1
Community Development	3	3	2	2	2	2	3	3	3	3
Economic Development	1	1	0	0	0	1	1	1	1	0
Animal Services	2	2	2	2	2	2	2	2	2	2
Public Safety										
Police	27	27	29	29	29	29	29	30	30	24
Fire	17	17	17	17	17	17	17	16	16	16
Municipal Court	3	3	3	3	3	3	3	2	2	2
Streets	3	3	2	3	3	3	3	2	2	2
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	10	10	10	10	10	10	10	10	10	10
Drainage	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>3</u>	<u>3</u>	<u>3</u>
Total	<u>82</u>	<u>82</u>	<u>82</u>	<u>83</u>	<u>83</u>	<u>84</u>	<u>85</u>	<u>84</u>	<u>84</u>	<u>78</u>

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COMPLIANCE SECTION

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PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' 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 Honorable Mayor and
Members of the City Council
City of Richland Hills, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 26, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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*.

Purpose of this Report

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

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

Waco, Texas
March 26, 2014



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Richland Hills, Texas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Richland Hills, Texas' (the "City") major federal programs for the year ended September 30, 2013. The City's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Report on Internal Control Over Compliance

Management of the City, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Waco, Texas
March 26, 2014

CITY OF RICHLAND HILLS, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
FEDERAL AWARDS			
<u>U. S. Department of Transportation</u>			
Passed through the Texas Department of Transportation			
Safe Route to School- Binion Elementary School	20.205	0902-48-778	\$ 614,993
Safe Route to School-Richland Middle School	20.205	0902-48-779	548,089
Safe Route to School-Richland Elementary School	20.205	0902-48-776	576,828
Safe Route to School-Non-Infrastructure Project	20.205	581XXF6160	<u>14,575</u>
Total Passed through the Texas Department of Transportation			<u>1,754,485</u>
 Total Expenditures of Federal Awards			 <u>\$ 1,754,485</u>

CITY OF RICHLAND HILLS, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2013

1. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards (the “Schedule”) is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. REPORTING ENTITY

The City of Richland Hills, Texas (the City), for purposes of the Schedule of Expenditures of Federal Awards, includes all the funds of the primary government.

3. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

The information included in the Schedule may not fully agree with other federal award reports that the City submits to granting agencies because, among other reasons, the award reports may be prepared for a different fiscal period and may include cumulative (from prior years) data rather than data for the current year only.

CITY OF RICHLAND HILLS, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	None

Federal Awards:

Internal control over major programs: Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported

Type of auditors' report issued on compliance for major programs	Unmodified
---	------------

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	None
--	------

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster:
#20.205	Safe Routes to School

Dollar threshold used to distinguish between type A and type B programs	\$300,000
--	-----------

Auditee qualified as low-risk auditee?	No
--	----

**Findings Relating to the Financial Statements Which are
Required to be Reported in Accordance With Generally
Accepted Government Auditing Standards**

None

Findings and Questioned Costs for Federal Awards

None

CITY OF RICHLAND HILLS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

Item 2012-1:	Purchase Order Use
<u>Condition:</u>	Purchase orders are not being used throughout the City. Per adopted purchasing policy, all purchases of \$100 and up generally require a purchase order.
<u>Criteria:</u>	Proper review of requested purchases helps prevent unauthorized purchases and misuse of funds.
<u>Cause:</u>	In the absence of a purchasing department or purchasing agent, individual departments are in charge of their own purchasing.
<u>Effect:</u>	Misuse of funds, fraudulent activity can go undetected for a period of time
<u>Recommendation:</u>	PBH recommends purchase orders be used on a consistent basis for purchases of \$100 and up per the purchasing policy. PBH also recommends finance to review and approve purchase orders prior to purchase for budgeted funds and reasonableness of purchase.
<u>Management's Response:</u>	The City agreed that procedures should be using purchase orders to deter misuse of funds. The City has issued new purchasing policies and procedures for the City on January 15, 2013.
<u>Contact Person Responsible for Corrective Action:</u>	Barbara Mann, Finance/Accounting Manager
<u>Anticipated Completion Date:</u>	January 15, 2013
<u>Current Status:</u>	This matter has been resolved.

CITY OF RICHLAND HILLS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued) FOR THE YEAR ENDED SEPTEMBER 30, 2013

Item 2012-2:

Segregation of Duties

Condition:

During PBH's walkthrough of controls over accounts payable, PBH noted some areas in which proper segregation of duties can be improved:

1. The accounting clerk prepares all deposits for the city and takes in payments for the utility department as needed.
2. The accounting manager who makes all entries to the GL has the ability to take in payments for the utility department.
3. The accounting manager prints all checks and also has the ability to input new vendors.

Criteria:

An essential element of any preventive control system is a segregation of duties in such a manner so that no single individual could perpetrate an error and conceal it without being discovered on a timely basis.

Cause:

Due to the size and nature of the entity, proper segregation of duties can be difficult to achieve.

Effect:

Without proper segregation of duties, the City is increasing its exposure to fraud risk.

Recommendation:

For the protection of the City and the City's personnel, PBH recommends:

1. The accounting clerk, who prepares all deposits, should not accept payments from customers.
2. The accounting manager, who posts all entries to the GL, should be removed from the cash handling process.
3. Access to input new vendors should be limited to the accounting clerk.

Management's Response:

The City agreed that policies should be implemented to improve segregation of duties and decrease exposure to risks.

Contact Person Responsible
for Corrective Action:

Barbara Mann, Finance/Accounting Manager

Anticipated Completion Date:

September 2013

Current Status:

This matter has been resolved.

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