



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

**FOR THE YEAR ENDED
SEPTEMBER 30, 2014**

CITY OF RICHLAND HILLS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014
TABLE OF CONTENTS

**Page
Number**

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 – 16
Basic Financial Statements	
<u>Government-wide Financial Statements</u>	
Statement of Net Position.....	17
Statement of Activities	17 – 19
<u>Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	20
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position.....	21

CITY OF RICHLAND HILLS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014
(Continued)
TABLE OF CONTENTS

	<u>Page Number</u>
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Statement of Net Position – Proprietary Funds	24
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	25
Statement of Cash Flows – Proprietary Funds	26 – 27
Notes to the Financial Statements	28 – 52
Required Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	53
Texas Municipal Retirement System Schedule of Funding Progress.....	54
Notes to Required Supplementary Information.....	55

CITY OF RICHLAND HILLS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014
(Continued)
TABLE OF CONTENTS

	<u>Page Number</u>
Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Funds	
Combining Balance Sheet	56 – 57
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	58 – 59
Special Revenue Funds	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual –	
Development Corporation	60
Crime Control District	61
Red Light Camera Enforcement.....	62
Hotel Occupancy Tax	63
Debt Service Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	64
Capital Projects Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual –	
Road and Street.....	65
Oil and Gas Lease	66

CITY OF RICHLAND HILLS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014
(Continued)
TABLE OF CONTENTS

	<u>Table</u>	<u>Page Number</u>
STATISTICAL SECTION		
Net Position by Component	1	67 – 768
Changes in Net Position	2	69 – 72
Fund Balances – Governmental Funds	3	73
Changes in Fund Balances – Governmental Funds	4	74 – 75
General Governmental Tax Revenues by Source	5	76
Appraised and Taxable Value Property (1)	6	77
Property Tax Rates – Direct and Overlapping Governments	7	78
Top Ten Taxpayers	8	79
Property Tax Levies and Collections	9	80
Taxable Sales by Category	10	81
Ratios of Outstanding Debt by Type	11	82 – 83
Ratios of General Bonded Debt Assessed Value and Net General Bonded Debt Per Capita	12	84
Ratio of Annual Debt Service Expenditures for General Bonded Debt to General Expenditures	13	85
Computation of Direct and Overlapping Debt	14	86

CITY OF RICHLAND HILLS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014
(Continued)
TABLE OF CONTENTS

	<u>Table</u>	<u>Page Number</u>
Schedule of Revenue Bond Coverage.....	15	87
Computation of Legal Debt Margin.....	16	88
Demographic and Economic Statistics	17	89
Principal Employers	18	90
Operating Indicators by Function/Program	19	91
Capital Asset Statistics by Function/Program	20	92
Fulltime Equivalent City Government Employers By Function/Program	21	93

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>		94 – 95
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INTRODUCTORY SECTION



CITY OF RICHLAND HILLS, TEXAS

(817) 616-3806 • 3200 DIANA DRIVE • RICHLAND HILLS, TEXAS 76118

March 31, 2015

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, 2014. 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 2014, Richland Hill's experienced a 2.3% increase in assessed taxable value due to an increase in residential and commercial property valuation and an upward trend in economic recovery. The property tax base remains diverse with the top ten taxpayers accounting for 12.2% of the total assessed value. Property tax and sales tax revenue are the City's principal income sources. Property tax revenues account for 37.81% of budgeted revenues and sales tax account for 33.63% of budgeted revenues for the general fund. Richland Hills continues to support an aggressive marketing campaign to attract commercial development in the City. 2014 was a banner year for economic development projects in Richland Hills. The city welcomed 64 new businesses and is now home to more than 452 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, 2014, 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, 2014, 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, 2013. 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
Director of Finance



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, 2013

Executive Director/CEO

CITY OF RICHLAND HILLS, TEXAS

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2014

CITY COUNCIL

Bill Agan, Mayor

Roland Goveas, Place 1

Allison Barrette, Place 2

Robert DeSoto, Place 3

Beverly Williams, Place 4

Edward Lopez, Mayor Pro Tem, Place 5

City Staff

Eric Strong, City Manager

Jason Moore, Assistant to City Manager

Barbara Childress, Chief of Police

William Bell, Fire Chief

Michael Barnes, City Engineer

Scott Mitchell, Director of Neighborhood Services

Lisa Wood, Library Director

Cathy Bourg, City Secretary

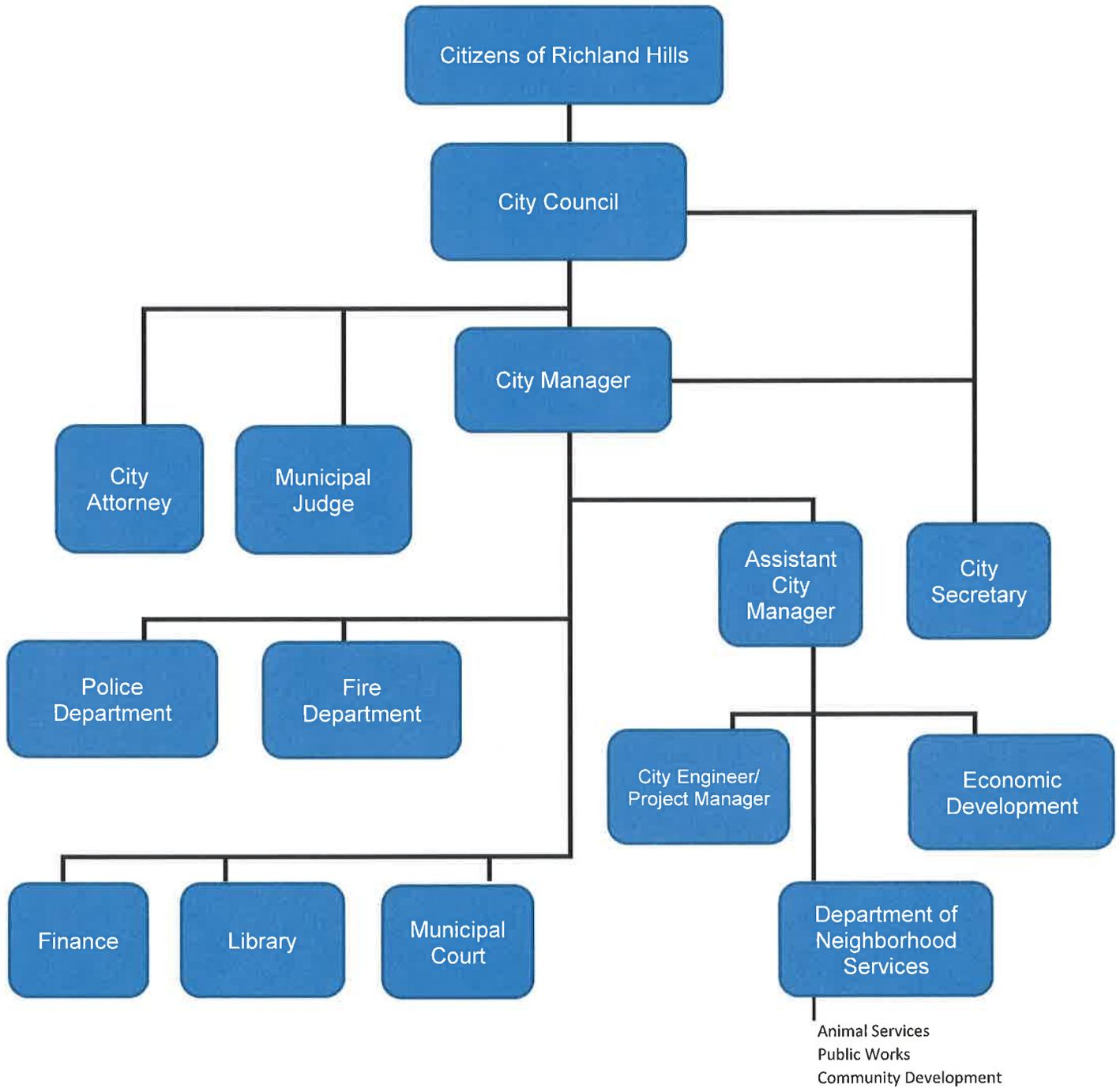
Alicia St. Cyr, Municipal Court Clerk

Liz Kennedy, Executive Assistant

Barbara Mann, Director of Finance



CITY OF RICHLAND HILLS ORGANIZATIONAL CHART



FINANCIAL SECTION



P A T T I L L O , B R O W N & H I L L , 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, 2014, 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, 2014, 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.

Change in Accounting Principle

As discussed in Note I to the financial statements, in 2014 the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2015, 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.

PaHills, Braum & Hill, L.L.P.

Waco, Texas
March 31, 2015

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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, 2014. 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 \$25,533,228 (net position) compared to \$24,171,909 for the prior year. Of this amount, \$6,503,298 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 \$1,639,702. The City's governmental activities net position increased by \$938,105 and the business-type activities net position increased by \$701,597.
- At the close of the current year, the City of Richland Hills' governmental funds reported combined ending fund balances of \$3,717,185 compared to \$3,376,923 for the prior year. Approximately \$1,702,950 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 \$1,776,039, or 23% 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 17 through 19 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 20 through 23 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 24 through 27 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 28 through 52 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 53 through 55 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 56 through 66 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 \$25,533,228 as of September 30, 2014.

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 \$6,503,298 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	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 5,338,029	\$ 5,084,410	\$ 7,957,312	\$ 10,562,326	\$ 13,295,341	\$ 15,646,736
Capital assets	11,187,996	10,980,299	16,288,955	13,820,277	27,476,951	24,800,576
Total assets	<u>16,526,025</u>	<u>16,064,709</u>	<u>24,246,267</u>	<u>24,382,603</u>	<u>40,772,292</u>	<u>40,447,312</u>
Deferred outflows of resources	-	-	82,429	-	82,429	-
Current liabilities	723,443	834,849	665,789	464,173	1,389,232	1,299,022
Long-term liabilities	1,646,173	1,965,625	12,286,088	13,010,756	13,932,261	14,976,381
Total liabilities	<u>2,369,616</u>	<u>2,800,474</u>	<u>12,951,877</u>	<u>13,474,929</u>	<u>15,321,493</u>	<u>16,275,403</u>
Net position:						
Net investment, in capital assets	10,136,996	9,777,284	7,741,269	7,096,222	17,878,265	16,873,506
Restricted	1,151,665	1,245,956	-	-	1,151,665	1,245,956
Unrestricted	<u>2,867,748</u>	<u>2,240,995</u>	<u>3,635,550</u>	<u>3,811,452</u>	<u>6,503,298</u>	<u>6,052,447</u>
Total net position	<u>\$ 14,156,409</u>	<u>\$ 13,264,235</u>	<u>\$ 11,376,819</u>	<u>\$ 10,907,674</u>	<u>\$ 25,533,228</u>	<u>\$ 24,171,909</u>

Changes in Net Position

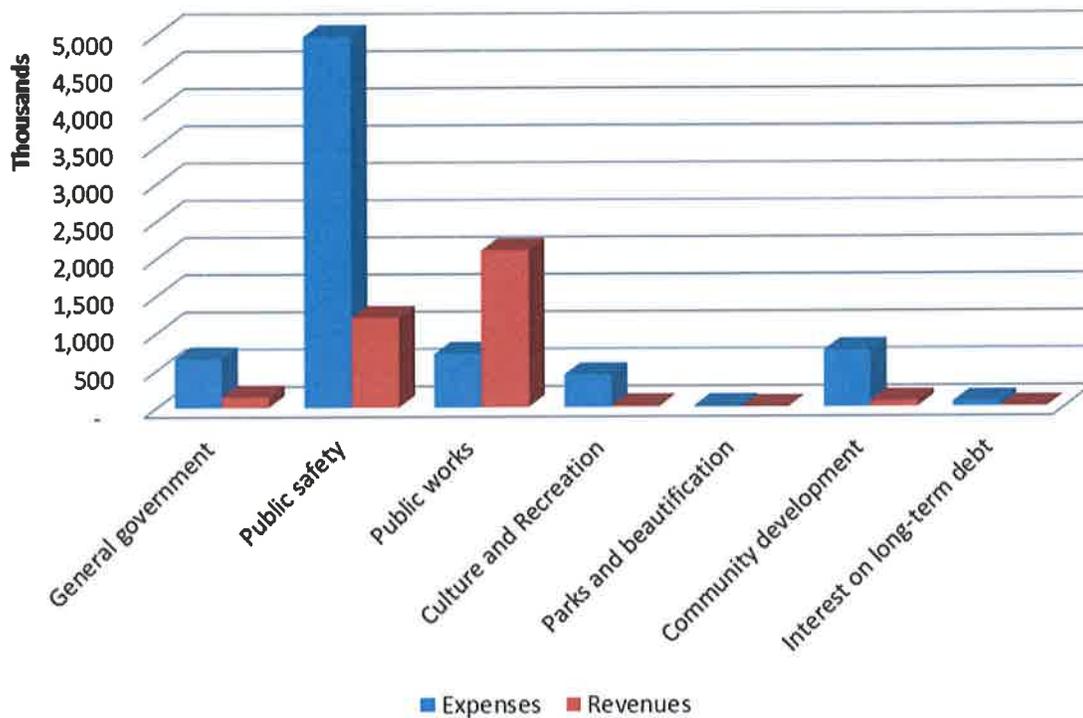
	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 1,392,697	\$ 1,281,205	\$ 4,846,022	\$ 4,933,914	\$ 6,238,719	\$ 6,215,119
Operating grants and contributions	615,544	382,669	-	-	615,544	382,669
Capital grants and contributions	479,747	1,885,625	-	-	479,747	1,885,625
General revenues:						
Property taxes	2,298,865	2,174,946	-	-	2,298,865	2,174,946
Sales taxes	3,029,601	2,743,469	-	-	3,029,601	2,743,469
Franchise taxes	545,626	471,759	-	-	545,626	471,759
Hotel occupancy taxes	202,779	194,967	-	-	202,779	194,967
Investment earnings	1,469	2,076	4,939	4,141	6,408	6,217
Miscellaneous	7,961	8,513	6,909	6,233	14,870	14,746
Gain on sale of assets	54,345	-	-	-	54,345	-
Total revenues	<u>8,628,634</u>	<u>9,145,229</u>	<u>4,857,870</u>	<u>4,944,288</u>	<u>13,486,504</u>	<u>14,089,517</u>
Expenses:						
General government	2,178,338	654,916	-	-	2,178,338	654,916
Public safety	4,984,115	4,977,046	-	-	4,984,115	4,977,046
Public works	665,931	716,031	-	-	665,931	716,031
Culture and recreation	398,638	435,470	-	-	398,638	435,470
Parks and beautification	58,280	15,628	-	-	58,280	15,628
Community development	506,160	757,894	-	-	506,160	757,894
Interest on long-term debt	47,957	70,283	-	-	47,957	70,283
Water sewer	-	-	2,482,137	3,183,727	2,482,137	3,183,727
Drainage utility	-	-	525,246	548,407	525,246	548,407
Total expenses	<u>8,839,419</u>	<u>7,627,268</u>	<u>3,007,383</u>	<u>3,732,134</u>	<u>11,846,802</u>	<u>11,359,402</u>
Increase (decrease) in net position before transfers	(210,785)	1,517,961	1,850,487	1,212,154	1,639,702	2,730,115
Transfers	<u>1,148,890</u>	<u>(57,091)</u>	<u>(1,148,890)</u>	<u>57,091</u>	<u>-</u>	<u>-</u>
Change in net position	938,105	1,460,870	701,597	1,269,245	1,639,702	2,730,115
Net position, beginning	13,264,235	11,774,687	10,907,674	9,638,429	24,171,909	21,413,116
Prior period adjustment	(45,931)	-	(232,452)	-	(278,383)	-
Net position, beginning, as restated	<u>13,218,304</u>	<u>11,774,687</u>	<u>10,675,222</u>	<u>9,638,429</u>	<u>23,893,526</u>	<u>21,413,116</u>
Net position, ending	<u>\$ 14,156,409</u>	<u>\$ 13,235,557</u>	<u>\$ 11,376,819</u>	<u>\$ 10,907,674</u>	<u>\$ 25,533,228</u>	<u>\$ 24,143,231</u>

Governmental activities. Governmental activities increased the City's net position by \$938,105 in the current year compared with a \$1,517,961 increase in the prior year. Total governmental activities revenues increased -\$516,595 (-6%) to \$8,628,634. Total governmental activities expenses increased \$1,212,151 (15.9%) from the prior year. Key elements of these changes are as follows:

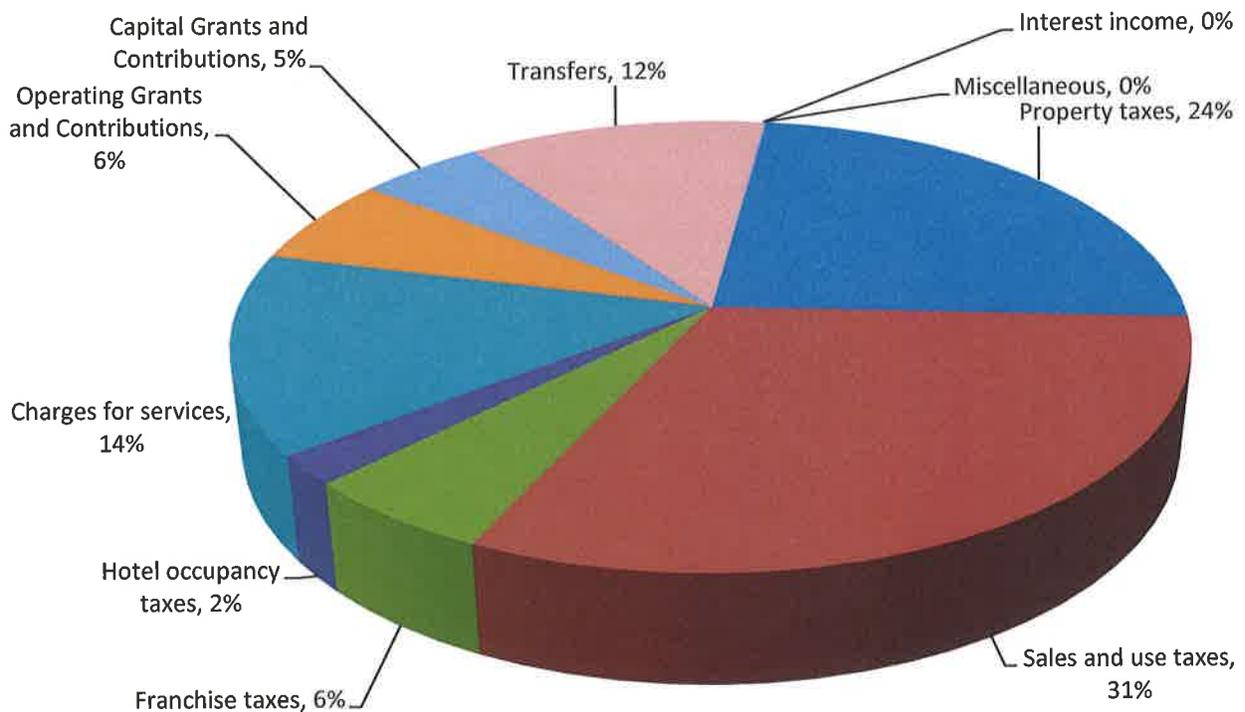
- The reason for increase in revenues was due to an increase in property taxes primarily due to an increase in valuations and higher sales tax collections from new businesses in the City. The expenses increased primarily due to change in accounting for the cost of administration, city secretary, utility expense, building maintenance and contractual expense for insurance coverage. In past years, the expense was budgeted in both the General Fund and as a percentage in other funds. In FY 2014, the expense was budgeted in the General Fund and shown as a revenue transfer from the contributing fund.

Below are two graphs summarizing governmental activities revenues and expenses:

Expenses and Program Revenues - Governmental Revenues



Governmental Activities - Revenues by Source

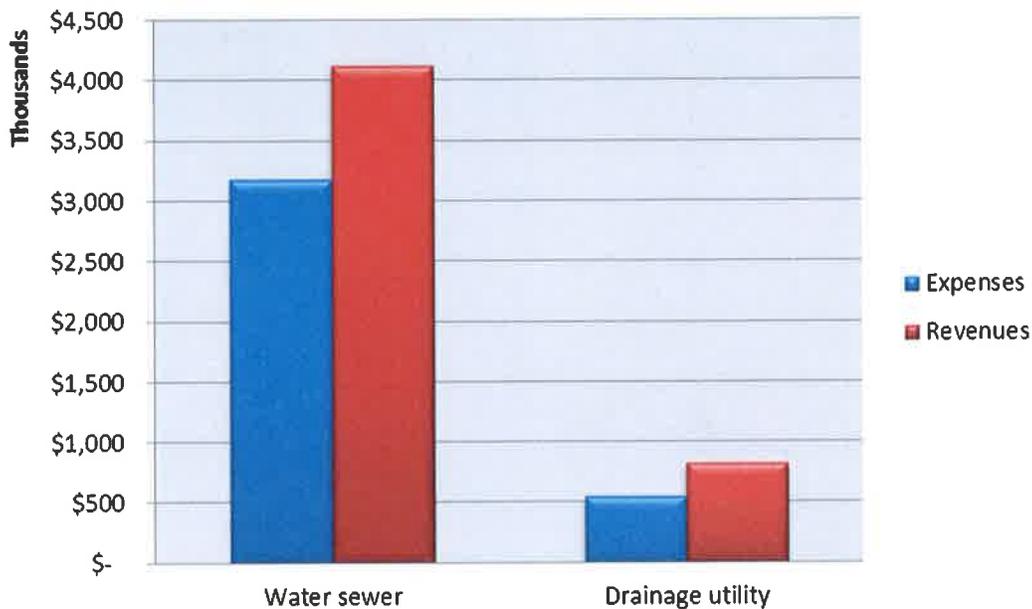


Business-type activities. Business-type activities increased the City's net position by \$701,597 in the current year compared to an increase in net position of \$1,212,154 in the prior year. The business-type activities total revenues decreased \$86,418 (2%) to \$4,857,870, and total expenses decreased \$724,751 (19%) to \$3,007,383. Key elements of these changes are as follows:

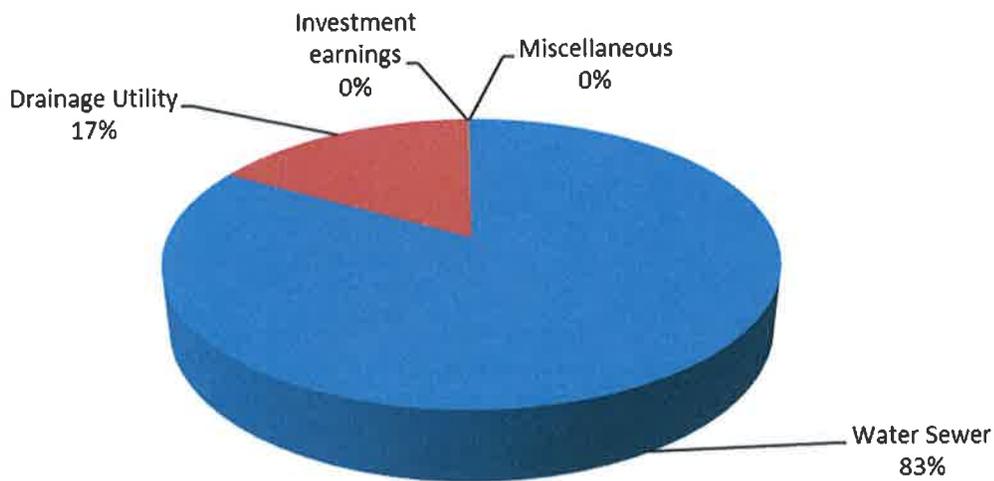
- The reason for the decrease in revenues and expenses is due to change in accounting for the cost of administration, city secretary, utility expense, building maintenance and contractual expense for insurance coverage. In past years, the expense was budgeted in both the General Fund and as a percentage in other funds. In FY 2014, the expense was budgeted in the General Fund and shown as a revenue transfer from the enterprise fund.

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.

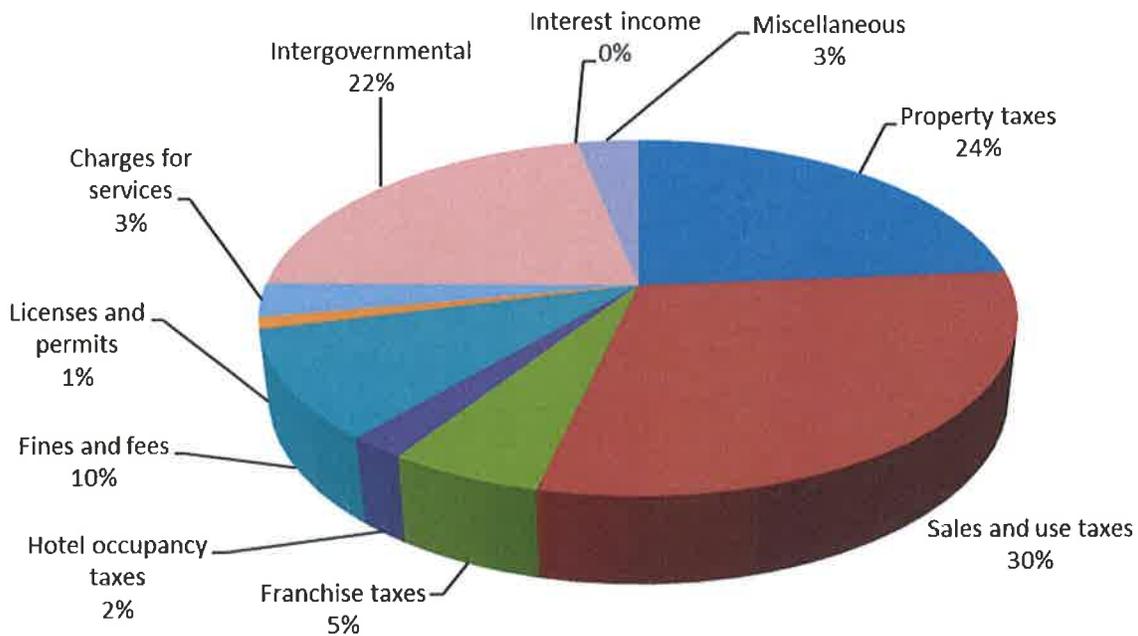
At year-end, the City's governmental funds reported combined ending fund balances of \$3,717,185. \$1,702,950 (46%) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted or committed to indicate that it is not 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 \$1,776,039. Fund balance of the General Fund increased (67,802) compared to a decrease of (86,173) in the prior year. Key factors in this decrease are as follows:

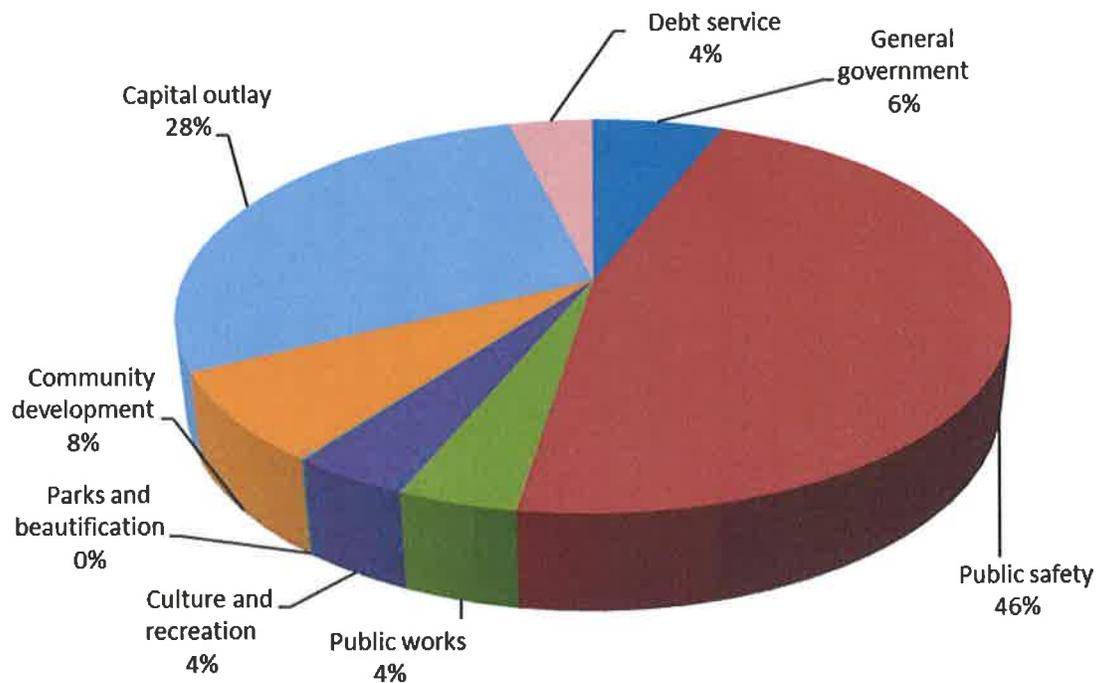
- Revenues decreased \$690,291 (7.51%). General Fund property taxes increased \$109,039 due to a increases in the property valuations. Sales and franchise taxes increased \$286,132. Intergovernmental revenue decreased \$1,405,878 due to substantial completion of Safe Routes to School Project.
- Expenditures decreased \$753,735 (7.58%). The decrease is due to infrastructure and capital outlay expenditures.

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 \$2,062,639 and those for the Drainage Utility Fund amounted to \$1,572,911. The total change in net position for both funds was (250,792) and \$952,389, 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 did not amend its General Fund budget this year.

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, 2014, amounts to \$27,476,951 (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:

• Remodel of City Hall, Community Development Area	\$16,625
• Walter Infiltration Treatment, Animal Services Facility	15,900
• Bathroom Addition, Fire Department	13,051
• Building Generator, Fire Department	10,855
• Remodel of Offices, Police Department Annex	20,994
• Fire Truck	341,187
• Hydrant Master & Blitzfire	6,530
• Storage Cabinets	5,944
• Awe Bilingual Early Literacy Station	6,500
• Toughbook Laptops	28,448
• Tasers	19,025
• Night Vision Equipment	6,138
• Police Vehicle Accessories	22,549

Business-type Activities:

• Public Works Awning	\$16,105
• Public Works Truck	20,188
• Improvements to SCADA system	13,384
• Levee Pump	148,351
• Sewer Line Improvements	20,368

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

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	\$ 714,170	\$ 564,175	\$ 256,267	\$ 256,267	\$ 970,437	\$ 820,442
Construction in progress	369,132	2,102,774	3,565,429	806,975	3,934,561	2,909,749
Improvements other than buildings	280,526	243,070	2,567,952	2,626,393	2,848,478	2,869,463
Buildings	1,217,453	1,298,421	4,539	5,170	1,221,992	1,303,591
Water and sewer system	-	-	9,789,774	10,009,716	9,789,774	10,009,716
Machinery and equipment	891,333	948,810	104,994	115,756	996,327	1,064,566
Infrastructure	7,715,382	5,823,049	-	-	7,715,382	5,823,049
Total	\$ 11,187,996	\$ 10,980,299	\$ 16,288,955	\$ 13,820,277	\$ 27,476,951	\$ 24,800,576

Additional information on the City's capital assets can be found in Note F on pages 41 – 42 of this report.

Long-term Debt

City of Richland Hills' Outstanding Debt

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Certificates of obligation	\$ 250,000	\$ 365,000	\$ 9,960,000	\$ 10,600,000	\$ 10,210,000	\$ 10,965,000
Contractual obligation	801,000	1,004,000	-	-	801,000	1,004,000
Capital leases payable	-	-	109,110	160,167	109,110	160,167
Revenue bonds	-	-	1,540,000	1,630,000	1,540,000	1,630,000
Total	\$ 1,051,000	\$ 1,369,000	\$ 11,609,110	\$ 12,390,167	\$ 12,660,110	\$ 13,759,167

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

	Moody's Investor Service	Standard & Poor's
Combination Tax and Revenue Certificates of Obligation, Series 2001	A3	
Combination Tax and Water and Sewer Revenue Certificates of 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 2.94, 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.

	2014	2013	2012
Gross revenues	\$ 4,003,607	\$ 4,124,847	\$ 4,290,606
Direct operating expenses	1,679,794	2,538,500	3,056,183
Net revenue available for debt	2,323,813	1,586,347	1,234,423
Debt service	789,760	638,613	639,174
Debt coverage ratio (Revenue available for debt service divided by current year debt service)	2.94	2.48	1.93

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 2015 fiscal year. The taxable assessed value for the 2015 fiscal year increased from approximately \$430 million to \$447 million.

The most significant budgeted decrease in General Fund revenues is a result of restructuring an accounting for the cost of municipal operations and resulted in a decrease of \$1,494,656 for interfund transfers. Sales tax revenue projections increased approximately \$273,107.

Total expenditures for the General Fund are budgeted to decrease by approximately \$1,464,517 from 2014 projected expenditures. This total includes \$1,494,656 from fund transfers mentioned above. Water and wastewater billing revenues are expected to remain flat due to no changes in the billing rates for fiscal year 2014-2015.

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**

CITY OF RICHLAND HILLS, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,014,341	\$ 3,588,072	\$ 6,602,413
Investments	164,501	176,424	340,925
Receivables, net of allowance for uncollectibles			
Taxes	900,004	-	900,004
Accounts	641,733	884,702	1,526,435
Intergovernmental	335,911	-	335,911
Internal balances	7,302	(7,302)	-
Inventories	-	22,914	22,914
Restricted assets:			
Cash and cash equivalents	-	3,566,739	3,566,739
Internal balances due in more than one year	274,237	(274,237)	-
Capital assets:			
Land	714,170	256,267	970,437
Construction in progress	369,132	3,565,429	3,934,561
Buildings	2,530,292	174,022	2,704,314
Improvements other than buildings	1,217,459	2,892,872	4,110,331
Water and sewer systems	-	16,728,487	16,728,487
Machinery and equipment	4,010,133	1,215,285	5,225,418
Infrastructure	22,650,248	-	22,650,248
Less: accumulated depreciation	(20,303,438)	(8,543,407)	(28,846,845)
Total capital assets	<u>11,187,996</u>	<u>16,288,955</u>	<u>27,476,951</u>
Total assets	<u>16,526,025</u>	<u>24,246,267</u>	<u>40,772,292</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	-	82,429	82,429
Total deferred outflows of resources	-	82,429	82,429
LIABILITIES			
Accounts payable	477,769	438,531	916,300
Accrued liabilities	239,459	19,191	258,650
Unearned revenue	438	-	438
Current liabilities payable from restricted assets:			
Interest payable	5,777	86,786	92,563
Customer deposits	-	121,281	121,281
Noncurrent liabilities:			
Due within one year - unrestricted	385,869	18,761	404,630
Due within one year - restricted	-	833,355	833,355
Due in more than one year	1,260,304	11,433,972	12,694,276
Total liabilities	<u>2,369,616</u>	<u>12,951,877</u>	<u>15,321,493</u>
NET POSITION			
Net investment in capital assets	10,136,996	7,741,269	17,878,265
Restricted for:			
Debt service	157,076	-	157,076
Public safety	434,742	-	434,742
Economic development	559,847	-	559,847
Unrestricted	<u>2,867,748</u>	<u>3,635,550</u>	<u>6,503,298</u>
Total net position	\$ <u>14,156,409</u>	\$ <u>11,376,819</u>	\$ <u>25,533,228</u>

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, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 2,178,338	\$ 205,536	\$ 30,000	\$ -
Public safety	4,984,115	1,166,133	146,582	-
Public works	665,931	-	398,131	479,747
Culture and recreation	398,638	-	19,030	-
Parks and beautification	58,280	-	-	-
Community development	506,160	21,028	21,801	-
Interest on long-term debt	47,957	-	-	-
Total governmental activities	<u>8,839,419</u>	<u>1,392,697</u>	<u>615,544</u>	<u>479,747</u>
Business-type activities				
Water sewer	2,482,137	3,996,698	-	-
Drainage utility	525,246	849,324	-	-
Total business-type activities	<u>3,007,383</u>	<u>4,846,022</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 11,846,802</u>	<u>\$ 6,238,719</u>	<u>\$ 615,544</u>	<u>\$ 479,747</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				
Prior period adjustment				
Net assets, beginning, as restated				
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
\$(1,942,802)	\$ -	\$(1,942,802)
(3,671,400)	-	(3,671,400)
211,947	-	211,947
(379,608)	-	(379,608)
(58,280)	-	(58,280)
(463,331)	-	(463,331)
(47,957)	-	(47,957)
<u>(6,351,431)</u>	<u>-</u>	<u>(6,351,431)</u>
-	1,514,561	1,514,561
<u>-</u>	<u>324,078</u>	<u>324,078</u>
<u>-</u>	<u>1,838,639</u>	<u>1,838,639</u>
<u>\$(6,351,431)</u>	<u>\$ 1,838,639</u>	<u>\$(4,512,792)</u>
\$ 2,123,739	\$ -	\$ 2,123,739
175,126	-	175,126
3,029,601	-	3,029,601
545,626	-	545,626
202,779	-	202,779
1,469	4,939	6,408
7,961	6,909	14,870
54,345	-	54,345
<u>1,148,890</u>	<u>(1,148,890)</u>	<u>-</u>
<u>7,289,536</u>	<u>(1,137,042)</u>	<u>6,152,494</u>
938,105	701,597	1,639,702
<u>13,264,235</u>	<u>10,907,674</u>	<u>24,171,909</u>
<u>(45,931)</u>	<u>(232,452)</u>	<u>(278,383)</u>
<u>13,218,304</u>	<u>10,675,222</u>	<u>23,893,526</u>
<u>\$ 14,156,409</u>	<u>\$ 11,376,819</u>	<u>\$ 25,533,228</u>

CITY OF RICHLAND HILLS, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2014

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,640,273	\$ 1,374,068	\$ 3,014,341
Investments	164,501	-	164,501
Receivables (net of allowances for uncollectibles)			
Taxes	699,624	200,380	900,004
Accounts	537,733	104,000	641,733
Intergovernmental	15,250	320,661	335,911
Due from other funds	394,574	211,987	606,561
Advances to other funds	<u>274,237</u>	<u>-</u>	<u>274,237</u>
 Total assets	 <u>\$ 3,726,192</u>	 <u>\$ 2,211,096</u>	 <u>\$ 5,937,288</u>
LIABILITIES			
Liabilities:			
Accounts payable	\$ 323,068	\$ 149,388	\$ 472,456
Accrued liabilities	239,459	-	239,459
Due to other funds	<u>222,455</u>	<u>382,117</u>	<u>604,572</u>
Total liabilities	<u>784,982</u>	<u>531,505</u>	<u>1,316,487</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	<u>890,934</u>	<u>12,682</u>	<u>903,616</u>
Total deferred inflows of resources	<u>890,934</u>	<u>12,682</u>	<u>903,616</u>
FUND BALANCES			
Nonspendable	274,237	-	274,237
Restricted	-	1,716,573	1,716,573
Assigned	-	23,425	23,425
Unassigned	<u>1,776,039</u>	<u>(73,089)</u>	<u>1,702,950</u>
Total fund balance	<u>2,050,276</u>	<u>1,666,909</u>	<u>3,717,185</u>
 Total liabilities, deferred inflows of resources and fund balance	 <u>\$ 3,726,192</u>	 <u>\$ 2,211,096</u>	 <u>\$ 5,937,288</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, 2014

Total fund balances - governmental funds	\$ 3,717,185
Capital assets used in governmental activities are not financial resources and therefore are reported in the governmental funds.	11,187,996
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.	(1,651,950)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	<u>903,178</u>
Net position of governmental activities	<u>\$ 14,156,409</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, 2014

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes:			
General property	\$ 2,121,307	\$ 175,126	\$ 2,296,433
Sales and use	2,022,750	1,006,851	3,029,601
Franchise	533,857	-	533,857
Hotel occupancy	-	202,779	202,779
Fines and fees	419,735	494,211	913,946
Licenses and permits	201,111	-	201,111
Charges for services	221,449	-	221,449
Intergovernmental	159,887	479,747	639,634
Interest income	823	646	1,469
Miscellaneous	65,487	398,131	463,618
Total revenues	<u>5,746,406</u>	<u>2,757,491</u>	<u>8,503,897</u>
EXPENDITURES			
General government	2,118,860	-	2,118,860
Public safety	4,331,553	417,200	4,748,753
Public works	272,938	4,258	277,196
Culture and recreation	354,525	-	354,525
Parks and beautification	51,492	-	51,492
Community development	388,212	117,948	506,160
Capital outlay	150,284	738,996	889,280
Debt service:			
Principal	72,000	246,000	318,000
Interest and fiscal charges	5,931	42,328	48,259
Total expenditures	<u>7,745,795</u>	<u>1,566,730</u>	<u>9,312,525</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,999,389)</u>	<u>1,190,761</u>	<u>(808,628)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	2,067,191	133,487	2,200,678
Transfers out	-	(1,051,788)	(1,051,788)
Total other financing sources (uses)	<u>2,067,191</u>	<u>(918,301)</u>	<u>1,148,890</u>
NET CHANGE IN FUND BALANCES	67,802	272,460	340,262
FUND BALANCES, BEGINNING	<u>1,982,474</u>	<u>1,394,449</u>	<u>3,376,923</u>
FUND BALANCES, ENDING	<u>\$ 2,050,276</u>	<u>\$ 1,666,909</u>	<u>\$ 3,717,185</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, 2014

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

Net change in fund balances - total governmental funds	\$ 340,262
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.	(122,303)
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.	318,000
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.	1,754
The net revenue (expense) of internal service funds is reported with governmental activities.	330,000
Some revenues in the statement of activities do not provide current financial resources and are not included in the governmental funds.	<u>70,392</u>
Change in net position of governmental activities - statement of activities	<u>\$ 938,105</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, 2014

	Business-type Activities - Enterprise Funds			Governmental
	Water and Sewer	Drainage Utility	Totals	Activities- Internal Service
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,279,218	\$ 1,308,854	\$ 3,588,072	\$ -
Investments	176,274	150	176,424	-
Accounts receivable, net of allowances	884,702	-	884,702	-
Due from other funds	2,482	312,311	314,793	5,313
Inventory	22,914	-	22,914	-
Restricted assets:				
Cash and cash equivalents	2,125,838	1,440,901	3,566,739	-
Total current assets	<u>5,491,428</u>	<u>3,062,216</u>	<u>8,553,644</u>	<u>5,313</u>
Noncurrent assets:				
Capital assets:				
Land	207,267	49,000	256,267	-
Construction in progress	-	3,565,429	3,565,429	-
Buildings	174,022	-	174,022	-
Improvements other than buildings	83,761	2,809,111	2,892,872	-
Waterworks and sewer system	16,728,487	-	16,728,487	-
Equipment	1,108,424	106,861	1,215,285	330,000
Less: accumulated depreciation	<u>(8,158,473)</u>	<u>(384,934)</u>	<u>(8,543,407)</u>	<u>-</u>
Total noncurrent assets	<u>10,143,488</u>	<u>6,145,467</u>	<u>16,288,955</u>	<u>330,000</u>
Total assets	<u>15,634,916</u>	<u>9,207,683</u>	<u>24,842,599</u>	<u>335,313</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding	82,429	-	82,429	-
Total deferred outflows of resources	<u>82,429</u>	<u>-</u>	<u>82,429</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Accounts payable	435,258	3,273	438,531	5,313
Accrued liabilities	11,859	7,332	19,191	-
Due to other funds	314,937	7,158	322,095	-
Compensated absences payable	18,761	-	18,761	-
Current liabilities payable from restricted assets:				
Interest payable	62,624	24,162	86,786	-
Capital leases payable	53,355	-	53,355	-
Revenue bonds payable	570,000	210,000	780,000	-
Customer deposits payable	121,281	-	121,281	-
Total current liabilities	<u>1,588,075</u>	<u>251,925</u>	<u>1,840,000</u>	<u>5,313</u>
Noncurrent liabilities:				
Advances from other funds	274,237	-	274,237	-
Compensated absences payable	75,043	-	75,043	-
Net pension obligation	71,380	6,479	77,859	-
Capital leases payable	55,755	-	55,755	-
Revenue bonds payable	6,051,024	5,174,291	11,225,315	-
Total noncurrent liabilities	<u>6,527,439</u>	<u>5,180,770</u>	<u>11,708,209</u>	<u>-</u>
Total liabilities	<u>8,115,514</u>	<u>5,432,695</u>	<u>13,548,209</u>	<u>5,313</u>
NET POSITION				
Net investment in capital assets	5,539,192	2,202,077	7,741,269	330,000
Unrestricted	<u>2,062,639</u>	<u>1,572,911</u>	<u>3,635,550</u>	<u>-</u>
Total net position	<u>\$ 7,601,831</u>	<u>\$ 3,774,988</u>	<u>\$ 11,376,819</u>	<u>\$ 330,000</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, 2014

	Business-type Activities - Enterprise Funds			Governmental
	Water and Sewer	Drainage Utility	Totals	Activities- Internal Service
OPERATING REVENUES				
Charges for services	\$ 3,996,698	\$ 849,324	\$ 4,846,022	\$ -
Miscellaneous	6,909	-	6,909	-
Total operating revenues	<u>4,003,607</u>	<u>849,324</u>	<u>4,852,931</u>	<u>-</u>
OPERATING EXPENSES				
Personnel services	549,010	184,445	733,455	-
Contractual services	27,060	8,418	35,478	-
Repairs and maintenance	81,802	52,378	134,180	-
Other supplies and expenses	1,021,922	50,752	1,072,674	-
Depreciation	435,980	72,189	508,169	-
Total operating expenses	<u>2,115,774</u>	<u>368,182</u>	<u>2,483,956</u>	<u>-</u>
OPERATING INCOME	<u>1,887,833</u>	<u>481,142</u>	<u>2,368,975</u>	<u>-</u>
NONOPERATING REVENUES AND EXPENSES				
Interest and investment income	3,962	977	4,939	-
Gain on sale of capital assets	-	-	-	330,000
Interest expense and fiscal charges	(366,363)	(157,064)	(523,427)	-
Total nonoperating revenues and expenses	<u>(362,401)</u>	<u>(156,087)</u>	<u>(518,488)</u>	<u>330,000</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>1,525,432</u>	<u>325,055</u>	<u>1,850,487</u>	<u>330,000</u>
Transfers in	351,368	839,182	1,190,550	-
Transfers out	(2,127,592)	(211,848)	(2,339,440)	-
CHANGE IN NET POSITION	<u>(250,792)</u>	<u>952,389</u>	<u>701,597</u>	<u>330,000</u>
NET POSITION, BEGINNING	<u>8,043,000</u>	<u>2,864,674</u>	<u>10,907,674</u>	<u>-</u>
PRIOR PERIOD ADJUSTMENT	<u>(190,377)</u>	<u>(42,075)</u>	<u>(232,452)</u>	<u>-</u>
NET POSITION, ENDING	<u>7,852,623</u>	<u>2,822,599</u>	<u>10,675,222</u>	<u>-</u>
NET POSITION, ENDING	<u>\$ 7,601,831</u>	<u>\$ 3,774,988</u>	<u>\$ 11,376,819</u>	<u>\$ 330,000</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, 2014

	Business-type Activities - Enterprise Funds			Governmental
	Water and Sewer	Drainage Utility	Totals	Activities- Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 4,036,227	\$ 849,324	\$ 4,885,551	\$ -
Cash paid to suppliers for goods and services	(547,830)	(167,615)	(715,445)	5,313
Cash paid to employees for services	(908,880)	(115,233)	(1,024,113)	-
Net cash provided by operating activities	<u>2,579,517</u>	<u>566,476</u>	<u>3,145,993</u>	<u>5,313</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash received from other funds	-	28,736	28,736	-
Cash paid to other funds	(138,791)	-	(138,791)	(5,313)
Transfers from other funds	351,368	839,182	1,190,550	-
Transfers to other funds	(2,127,592)	(211,848)	(2,339,440)	-
Net cash provided (used) by noncapital financing activities	<u>(1,915,015)</u>	<u>627,334</u>	<u>(1,287,681)</u>	<u>(5,313)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal repayments on debt	(591,057)	(190,000)	(781,057)	-
Interest and fiscal charges on debt	(357,566)	(138,235)	(495,801)	-
Proceeds from the disposition of capital assets	-	-	-	330,000
Acquisition of capital assets	(222,676)	(2,692,461)	(2,915,137)	(330,000)
Net cash flows used by capital and related financing activities	<u>(1,171,299)</u>	<u>(3,020,696)</u>	<u>(4,191,995)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Earnings on investments	3,962	977	4,939	-
Net cash provided by investing activities	<u>3,962</u>	<u>977</u>	<u>4,939</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(502,835)	(1,825,909)	(2,328,744)	-
CASH AND CASH EQUIVALENTS, BEGINNING	<u>4,907,891</u>	<u>4,575,664</u>	<u>9,483,555</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 4,405,056</u>	<u>\$ 2,749,755</u>	<u>\$ 7,154,811</u>	<u>\$ -</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET ASSETS				
Cash and cash equivalents	\$ 2,279,218	\$ 1,308,854	\$ 3,588,072	\$ -
Restricted cash	<u>2,125,838</u>	<u>1,440,901</u>	<u>3,566,739</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 4,405,056</u>	<u>\$ 2,749,755</u>	<u>\$ 7,154,811</u>	<u>\$ -</u>

CITY OF RICHLAND HILLS, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	<u>Water and Sewer</u>	<u>Drainage Utility</u>	<u>Totals</u>	<u>Governmental Activities- Internal Service</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 1,887,833	\$ 481,142	\$ 2,368,975	\$ -
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation and amortization expense	457,826	83,468	541,294	-
Changes in assets and liabilities:				
Increase in accounts receivable	26,609	-	26,609	-
Increase in inventory	1,731	-	1,731	-
Increase (decrease) in accounts payable	220,168	(3,687)	216,481	5,313
Increase in accrued liabilities	(16,231)	5,387	(10,844)	-
Decrease in compensated absences	(4,820)	-	(4,820)	-
Increase in customer deposits	6,011	-	6,011	-
Increase in net pension obligation	390	166	556	-
Net cash provided by operating activities	<u>\$ 2,579,517</u>	<u>\$ 566,476</u>	<u>\$ 3,145,993</u>	<u>\$ 5,313</u>

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

CITY OF RICHLAND HILLS, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

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 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, Deferred Outflows/Inflows of Resources, 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. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City is reporting balances for deferred losses on bond refundings in the Statement of Net Position – Proprietary Funds. A deferred loss on a bond refunding results when the reacquisition price of the refunded debt exceeds the carrying value. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

7. *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.

8. *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 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

9. *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.

10. Net Position

Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

11. Use of Estimates

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The fund financial statements 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, “Long-term liabilities, including bonds payable (net of amortized costs) are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$(1,651,950) difference are as follows:

Certificates of obligation	\$(250,000)
Contractual obligations	(801,000)
Accrued interest payable	(5,777)
Compensated absences	(299,347)
Net pension obligations	<u>(295,826)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$(1,651,950)</u>

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 \$903,178 difference are as follows:

Property taxes receivable	\$ 105,686
Court fines receivable	485,409
Franchise taxes receivable	259,759
Ambulance receivable	<u>52,324</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 903,178</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 \$(122,303) difference are as follows:

Capital outlay	\$ 588,429
Depreciation expense	<u>(710,732)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$(122,303)</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 \$70,392 difference are as follows:

Property taxes	\$ 2,432
Court fines receivable	44,936
Franchise taxes receivable	11,769
Other receivables	<u>11,255</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 70,392</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 \$318,000 difference are as follows:

Principal repayments	\$ <u>318,000</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>318,000</u>

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

At September 30, 2014, the Safe Routes to School Capital Project Fund and Green Ribbon Project Capital Projects Fund, both nonmajor governmental funds, had deficit fund balances of \$41,476 and \$31,613, respectively. These deficits occurred because expenditures in these funds exceeded available resources. The deficits 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, 2014, 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	68 days	100.00%	\$ <u>3,616</u>	\$ <u>3,616</u>
				\$ <u>3,616</u>	\$ <u>3,616</u>
<u>Reconciliation to financial statements</u>					
				\$ 340,925	
				<u>337,309</u>	
				<u>\$ 3,616</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, 2014, the City's \$10,647,370 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 Bonds Reserve		
Cash	\$	37,471
2007 Revenue Bonds Construction		
Cash		374
2007 Revenue Bonds I&S		
Cash		173
2010 Revenue Bonds Construction		
Cash		1,432,788
2010 Revenue Bonds I&S		
Cash		8,113
2013 Revenue Bonds I&S		
Cash		<u>2,087,820</u>
	\$	<u>3,566,739</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 2014 fiscal year (2013 tax year), resulting in an adjusted tax levy of approximately \$2.2 million based on an assessed property valuation of approximately \$430.1 million were as follows:

	Tax Rate per \$100 of <u>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, 2014, 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	\$ 739,483	\$ -	\$ 205,815	\$ 945,298
Intergovernmental	15,250	-	320,661	335,911
Fines	1,618,030	-	-	1,618,030
Accounts	-	1,517,869	104,000	1,621,869
Ambulance	<u>2,616,203</u>	<u>-</u>	<u>-</u>	<u>2,616,203</u>
Gross receivables	4,988,966	1,517,869	630,476	7,137,311
Less: allowance for uncollectibles	<u>3,736,359</u>	<u>633,167</u>	<u>5,435</u>	<u>4,374,961</u>
Net total receivables	<u>\$ 1,252,607</u>	<u>\$ 884,702</u>	<u>\$ 625,041</u>	<u>\$ 2,762,350</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, 2014, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other governmental funds	\$ 382,117
	Water and sewer	10,661
	Drainage utility	1,796
Other governmental funds	General	209,107
	Drainage utility	<u>2,880</u>
Total governmental funds		<u>\$ 606,561</u>
Drainage utility	General	\$ 8,035
	Water and sewer	304,276
Water and sewer	Drainage utility	<u>2,482</u>
Total enterprise funds		<u>\$ 314,793</u>
Internal service fund	General	<u>\$ 5,313</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.

\$274,237 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, 2014, is as follows:

<u>Transfers in</u>	<u>Transfers out</u>	<u>Amount</u>	<u>Purpose</u>
General	Other governmental funds	\$ 566,933	Debt service
	Water and sewer	1,288,410	Debt service
	Drainage utility	211,848	Debt service
Other governmental funds	Other governmental funds	133,487	Debt service
Water and sewer	Other governmental funds	351,368	Increased water sewer costs
Drainage utility	Water and sewer	839,182	Debt service

F. Capital Assets

Capital asset activity for the year ended September 30, 2014, was as follows:

<u>Governmental activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Land	\$ 564,175	\$ 149,995	\$ -	\$ -	\$ 714,170
Construction in progress	<u>2,102,774</u>	<u>369,132</u>	<u>2,102,774</u>	<u>-</u>	<u>369,132</u>
Total capital assets not being depreciate	<u>2,666,949</u>	<u>519,127</u>	<u>2,102,774</u>	<u>-</u>	<u>1,083,302</u>
Capital assets, being depreciated:					
Improvements other than buildings	1,140,035	77,424	-	-	1,217,459
Buildings	2,530,292	-	-	-	2,530,292
Machinery and equipment	4,164,449	436,372	590,688	-	4,010,133
Streets	<u>20,386,262</u>	<u>2,263,986</u>	<u>-</u>	<u>-</u>	<u>22,650,248</u>
Total capital assets, being depreciated	<u>28,221,038</u>	<u>2,777,782</u>	<u>590,688</u>	<u>-</u>	<u>30,408,132</u>
Less: accumulated depreciated for:					
Improvements other than buildings	(896,964)	(39,969)	-	-	(936,933)
Buildings	(1,231,870)	(80,969)	-	-	(1,312,839)
Machinery and equipment	(3,215,690)	(218,143)	(315,033)	-	(3,118,800)
Streets	<u>(14,563,214)</u>	<u>(371,652)</u>	<u>-</u>	<u>-</u>	<u>(14,934,866)</u>
Total capital assets being depreciated	<u>(19,907,738)</u>	<u>(710,733)</u>	<u>(315,033)</u>	<u>-</u>	<u>(20,303,438)</u>
Total capital assets being depreciated, net	<u>8,313,300</u>	<u>2,067,049</u>	<u>275,655</u>	<u>-</u>	<u>10,104,694</u>
Total governmental activities, net	\$ <u>10,980,249</u>	\$ <u>2,586,176</u>	\$ <u>2,378,429</u>	\$ <u>-</u>	\$ <u>11,187,996</u>

Business-type activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 256,267	\$ -	\$ -	\$ 256,267
Construction in progress	806,975	2,758,454	-	3,565,429
Total capital assets not being depreciated	1,063,242	2,758,454	-	3,821,696
Capital assets, being depreciated:				
Improvements other than buildings	2,876,767	16,105	-	2,892,872
Buildings	174,022	-	-	174,022
Water and sewer systems	16,546,385	182,102	-	16,728,487
Machinery and equipment	1,195,097	20,188	-	1,215,285
Total capital assets, being depreciated	20,792,271	218,395	-	21,010,666
Less: accumulated depreciated for:				
Improvements other than buildings	(250,374)	(74,546)	-	(324,920)
Buildings	(168,851)	(632)	-	(169,483)
Water and sewer systems	(6,536,672)	(402,041)	-	(6,938,713)
Machinery and equipment	(1,079,341)	(30,950)	-	(1,110,291)
Total capital assets being depreciated	(8,035,238)	(508,169)	-	(8,543,407)
Total capital assets being depreciated, net	12,757,033	(289,774)	-	12,467,259
Total business-type activities, net	\$ 13,820,275	\$ 2,468,680	\$ -	\$ 16,288,955

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

Governmental activities:	
General government	\$ 35,734
Public safety	235,362
Public works	388,736
Culture and recreation	44,113
Parks and beautification	6,788
Total depreciation expense- governmental activities	\$ 710,733
Business-type activities:	
Water/sewer	\$ 435,980
Drainage utility	72,189
Total depreciation expense - business-type activities	\$ 508,169

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, 2014 is \$250,000.

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, 2014, is \$325,000.

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, 2014, 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, 2014, is \$273,000.

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, 2014, is \$1,540,000.

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, 2014, is \$2,385,000.

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, 2014, is \$2,005,000.

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, 2014, is \$5,570,000.

Future Requirements

The annual requirements to amortize all certificates of obligation, tax notes, contractual obligations and revenue bonds outstanding as of September 30, 2014, are as follows:

Fiscal Year Ending	Governmental Activities		Business-type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 330,000	\$ 30,065	\$ 780,000	\$ 386,934	\$ 1,110,000	\$ 416,999
2016	346,000	19,272	805,000	362,819	1,151,000	382,091
2017	78,000	9,754	835,000	335,744	913,000	345,498
2018	80,000	8,224	860,000	307,444	940,000	315,668
2019	82,000	6,694	580,000	285,219	662,000	291,913
2020-2024	135,000	10,328	3,020,000	1,078,900	3,155,000	1,089,228
2025-2029	-	-	2,910,000	548,150	2,910,000	548,150
2030-2031	-	-	1,710,000	93,200	1,710,000	93,200
Totals	\$ <u>1,051,000</u>	\$ <u>84,337</u>	\$ <u>11,500,000</u>	\$ <u>3,398,410</u>	\$ <u>12,551,000</u>	\$ <u>3,482,747</u>

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2014.

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Certificates of obligation	\$ 365,000	\$ -	\$ 115,000	\$ 250,000	\$ 120,000
Contractual obligation bonds	1,004,000	-	203,000	801,000	206,000
Compensated absences	305,514	257,219	263,386	299,347	59,869
Net pension obligation	291,109	4,717	-	295,826	-
Total governmental activities	<u>1,965,623</u>	<u>261,936</u>	<u>581,386</u>	<u>1,646,173</u>	<u>385,869</u>
Business-type activities:					
Combination tax and revenue certificates	12,230,000	-	730,000	11,500,000	780,000
Premiums on long-term debt	537,466	-	32,152	505,314	-
Capital lease payable	160,167	-	51,057	109,110	53,355
Compensated absences	98,624	32,045	36,865	93,804	18,761
Net pension	77,233	627	-	77,860	-
Total business-type activities	<u>13,103,490</u>	<u>32,672</u>	<u>850,074</u>	<u>12,286,088</u>	<u>852,116</u>
	<u>\$ 15,069,113</u>	<u>\$ 294,608</u>	<u>\$ 1,431,460</u>	<u>\$ 13,932,261</u>	<u>\$ 1,237,985</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, 2014, the outstanding balance of the defeased bonds is \$2,180,000.

Compensated Absences and Net Pension Obligations

Compensated absences and the net pension obligations of the governmental activities and business-type activities have historically been liquidated 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:

Fiscal Year Ending	Business-type Activities
2015	\$ 58,264
2016	<u>58,264</u>
Total debt service requirements	116,528
Less: interest portion	<u>7,418</u>
Debt principal	<u>\$ 109,110</u>

I. Fund Balance

As of September 30, 2014, 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	\$ 274,237	\$ -	\$ 274,237
Restricted:			
Retirement of long-term debt	-	144,394	144,394
Capital acquisition and construction	-	577,590	577,590
Tourism activities	-	189,319	189,319
Economic development	-	370,528	370,528
Crime control district	-	344,005	344,005
Red Light Camera Enforce	-	90,737	90,737
Assigned:			
Capital acquisition and construction	-	23,425	23,425
Unassigned	<u>1,776,039</u>	<u>(73,089)</u>	<u>1,702,950</u>
Total governmental fund balance	<u>\$ 2,050,276</u>	<u>\$ 1,666,909</u>	<u>\$ 3,717,185</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, 2014, 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, 2014, 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 2014 and 2013, were the same and were as follows:

	<u>Plan Year</u> <u>2012</u>	<u>Plan Year</u> <u>2013</u>	<u>Plan Year</u> <u>2014</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>2014</u>	<u>2013</u>	<u>2012</u>
Annual required contribution (ARC)	\$ 724,258	\$ 679,284	\$ 717,708
Interest on net pension obligation	25,784	25,304	22,819
Adjustment to ARC	<u>(22,492)</u>	<u>(22,232)</u>	<u>(19,615)</u>
Annual pension cost (APC)	727,550	682,356	720,912
Contributions made	<u>722,206</u>	<u>675,500</u>	<u>685,414</u>
Increase (decrease) in NPO	5,344	6,856	35,498
Net pension obligation/(asset), beginning	<u>368,342</u>	<u>361,486</u>	<u>325,988</u>
Net pension obligation/(asset), ending	<u>\$ 373,686</u>	<u>\$ 368,342</u>	<u>\$ 361,486</u>
Contributions as a percentage of APC	99.27%	99.00%	95.08%

Actuarial Assumptions

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2013 actuarial valuation. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

Actuarial valuation date	12/31/2011	12/31/2012	12/31/2013
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	27.2 years; Closed period	26.2 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*	7.00%	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, 2013 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
12/31/2013	\$ 26,883,077	\$ 22,582,762	84.0%	\$ 4,300,315	\$ 4,086,946	105.2%

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 2014, 2013 and 2012 were \$12,260, \$9,151, and \$9,974, respectively, which equaled the required contributions each year.

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

Plan/ Calendar Year	Required Contribution Rate	Actual Contribution Rate	Percentage of ARC Contributed
2014	0.03%	0.03%	100%
2013	0.04%	0.04%	100%
2012	0.04%	0.04%	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 2014 for the treatment of wastewater by the City of Fort Worth were \$210,502.

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 2014 for the purchase of treated water from the City of Fort Worth were \$587,430.

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 2014 from the City of Hurst were \$97,829.

**REQUIRED
SUPPLEMENTARY INFORMATION**

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, 2014

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes:				
General property	\$ 2,125,207	\$ 2,125,207	\$ 2,121,307	\$(3,900)
Sales and use	1,822,130	1,822,130	2,022,750	200,620
Franchise	558,103	558,103	533,857	(24,246)
Fines and fees	425,140	425,140	419,735	(5,405)
Licenses and permits	102,170	102,170	201,111	98,941
Charges for services	285,994	285,994	221,449	(64,545)
Intergovernmental	-	-	159,887	159,887
Interest income	1,118	1,118	823	(295)
Miscellaneous	66,732	66,732	65,487	(1,245)
Total revenues	<u>5,386,594</u>	<u>5,386,594</u>	<u>5,746,406</u>	<u>359,812</u>
EXPENDITURES				
Current:				
General government	1,890,486	1,890,486	2,118,860	(228,374)
Public safety	4,503,537	4,503,537	4,331,553	171,984
Public works	268,680	268,680	272,938	(4,258)
Culture and recreation	360,150	360,150	354,525	5,625
Parks and beautification	72,700	72,700	51,492	21,208
Community development	402,117	402,117	388,212	13,905
Capital outlay	351,479	351,479	150,284	201,195
Debt service:				
Principal	72,000	72,000	72,000	-
Interest and fiscal charges	6,128	6,128	5,931	197
Total expenditures	<u>7,927,277</u>	<u>7,927,277</u>	<u>7,745,795</u>	<u>181,482</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,540,683)</u>	<u>(2,540,683)</u>	<u>(1,999,389)</u>	<u>541,294</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of general capital assets	7,500	7,500	-	(7,500)
Transfers in	2,210,453	2,210,453	2,067,191	(143,262)
Total other financing sources (uses)	<u>2,217,953</u>	<u>2,217,953</u>	<u>2,067,191</u>	<u>(150,762)</u>
NET CHANGE IN FUND BALANCE	(322,730)	(322,730)	67,802	390,532
FUND BALANCE, BEGINNING	<u>1,982,474</u>	<u>1,982,474</u>	<u>1,982,474</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 1,659,744</u>	<u>\$ 1,659,744</u>	<u>\$ 2,050,276</u>	<u>\$ 390,532</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>
12/31/11	\$ 19,416,364	\$ 23,636,356	82.1%	\$ 4,219,992	\$ 3,982,846	106.0%
12/31/12	20,844,012	24,723,881	84.3%	3,879,869	3,967,326	97.8%
12/31/13	22,582,762	26,883,097	84.0%	4,300,335	4,086,946	105.2%

CITY OF RICHLAND HILLS, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2014

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 \$50,016. The Debt Service Fund had expenditures in excess of appropriations of \$294 and the Oil and Gas Lease Capital Projects fund had expenditures in excess of appropriations of \$28,931.

**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, 2014

	Special Revenues				
	Richland Hills Development Corporation	Crime Control District	Red Light Camera Enforce	Hotel Occupancy Tax	Total Special Revenue Funds
ASSETS					
Cash	\$ 331,118	\$ 241,946	\$ -	\$ 183,184	\$ 756,248
Receivables (net of allowances for uncollectibles):					
Taxes	43,358	129,246	-	15,093	187,697
Accounts	-	-	43,238	-	43,238
Intergovernmental	-	-	-	-	-
Due from other funds	<u>2,880</u>	<u>-</u>	<u>163,172</u>	<u>-</u>	<u>166,052</u>
Total assets	<u>\$ 377,356</u>	<u>\$ 371,192</u>	<u>\$ 206,410</u>	<u>\$ 198,277</u>	<u>\$ 1,153,235</u>
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 27,187	\$ 115,673	\$ 6,035	\$ 148,895
Due to other funds	6,828	-	-	2,923	9,751
Unearned revenue	-	-	-	-	-
Total liabilities	<u>6,828</u>	<u>27,187</u>	<u>115,673</u>	<u>8,958</u>	<u>158,646</u>
Fund balances:					
Restricted	370,528	344,005	90,737	189,319	994,589
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>370,528</u>	<u>344,005</u>	<u>90,737</u>	<u>189,319</u>	<u>994,589</u>
Total liabilities and fund balances	<u>\$ 377,356</u>	<u>\$ 371,192</u>	<u>\$ 206,410</u>	<u>\$ 198,277</u>	<u>\$ 1,153,235</u>

Capital Projects

Debt Service	Road and Street	Oil and Gas Lease	Capital Projects	2011 PPFCO	Safe Routes to School	Green Ribbon Project	Total Capital Projects Funds	Total Nonmajor Funds
146,076	\$ 39,914	\$ 407,070	\$ -	\$ 24,760	\$ -	\$ -	\$ 471,744	\$ 1,374,068
12,683	-	-	-	-	-	-	-	200,380
-	-	60,762	-	-	-	-	60,762	104,000
-	-	-	23,425	-	158,225	139,011	320,661	320,661
358	2,391	43,186	-	-	-	-	45,577	211,987
<u>\$ 159,117</u>	<u>\$ 42,305</u>	<u>\$ 511,018</u>	<u>\$ 23,425</u>	<u>\$ 24,760</u>	<u>\$ 158,225</u>	<u>\$ 139,011</u>	<u>\$ 898,744</u>	<u>\$ 2,211,096</u>
-	-	493	-	-	-	-	493	149,388
2,041	-	-	-	-	199,701	170,624	370,325	382,117
12,682	-	-	-	-	-	-	-	12,682
14,723	-	493	-	-	199,701	170,624	370,818	544,187
144,394	42,305	510,525	-	24,760	-	-	577,590	1,716,573
-	-	-	23,425	-	-	-	23,425	23,425
-	-	-	-	-	(41,476)	(31,613)	(73,089)	(73,089)
144,394	42,305	510,525	23,425	24,760	(41,476)	(31,613)	527,926	1,666,909
<u>\$ 159,117</u>	<u>\$ 42,305</u>	<u>\$ 511,018</u>	<u>\$ 23,425</u>	<u>\$ 24,760</u>	<u>\$ 158,225</u>	<u>\$ 139,011</u>	<u>\$ 898,744</u>	<u>\$ 2,211,096</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, 2014

	Special Revenues				Total Special Revenue Funds
	Richland Hills Development Corporation	Crime Control District	Red Light Camera Enforce	Hotel Occupancy Tax	
REVENUES					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	252,648	754,203	-	-	1,006,851
Hotel occupancy tax	-	-	-	202,779	202,779
Fines and fees	-	-	494,211	-	494,211
Intergovernmental	-	-	-	-	-
Interest	176	177	-	82	435
Other	-	-	-	-	-
Total revenues	<u>252,824</u>	<u>754,380</u>	<u>494,211</u>	<u>202,861</u>	<u>1,704,276</u>
EXPENDITURES					
Current:					
Public safety	-	8,309	408,891	-	417,200
Public works	-	-	-	-	-
Community development	19,846	-	-	98,102	117,948
Capital outlay	120,000	124,225	-	-	244,225
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>139,846</u>	<u>132,534</u>	<u>408,891</u>	<u>98,102</u>	<u>779,373</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>112,978</u>	<u>621,846</u>	<u>85,320</u>	<u>104,759</u>	<u>924,903</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	959	-	-	-	959
Transfers out	(192,327)	(784,403)	(19,092)	(55,966)	(1,051,788)
Total other financing sources (uses)	<u>(191,368)</u>	<u>(784,403)</u>	<u>(19,092)</u>	<u>(55,966)</u>	<u>(1,050,829)</u>
NET CHANGE IN FUND BALANCES	(78,390)	(162,557)	66,228	48,793	(125,926)
FUND BALANCES, BEGINNING	<u>448,918</u>	<u>506,562</u>	<u>24,509</u>	<u>140,526</u>	<u>1,120,515</u>
FUND BALANCES, ENDING	<u>\$ 370,528</u>	<u>\$ 344,005</u>	<u>\$ 90,737</u>	<u>\$ 189,319</u>	<u>\$ 994,589</u>

Capital Projects

Debt Service	Road and Street	Oil and Gas Lease	Capital Projects	2011 PPFCO	Safe Routes to School	Green Ribbon Project	Total Capital Projects Funds	Total Nonmajor Funds
\$ 175,126	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 175,126
-	-	-	-	-	-	-	-	1,006,851
-	-	-	-	-	-	-	-	202,779
-	-	-	-	-	-	-	-	494,211
-	166,701	-	-	-	-	313,046	479,747	479,747
57	54	100	-	-	-	-	154	646
-	-	398,131	-	-	-	-	398,131	398,131
<u>175,183</u>	<u>166,755</u>	<u>398,231</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>313,046</u>	<u>878,032</u>	<u>2,757,491</u>
-	-	-	-	-	-	-	-	417,200
-	258	4,000	-	-	-	-	4,258	4,258
-	-	-	-	-	-	-	-	117,948
-	125,262	24,931	-	-	41,476	303,102	494,771	738,996
246,000	-	-	-	-	-	-	-	246,000
42,328	-	-	-	-	-	-	-	42,328
<u>288,328</u>	<u>125,520</u>	<u>28,931</u>	<u>-</u>	<u>-</u>	<u>41,476</u>	<u>303,102</u>	<u>624,549</u>	<u>1,692,250</u>
(113,145)	41,235	369,300	-	-	(41,476)	9,944	379,003	1,190,761
132,528	-	-	-	-	-	-	-	133,487
-	-	-	-	-	-	-	-	(1,051,788)
<u>132,528</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(918,301)</u>
19,383	41,235	369,300	-	-	(41,476)	9,944	379,003	272,460
125,011	1,070	141,225	23,425	24,760	-	(41,557)	148,923	1,394,449
<u>\$ 144,394</u>	<u>\$ 42,305</u>	<u>\$ 510,525</u>	<u>\$ 23,425</u>	<u>\$ 24,760</u>	<u>\$ (41,476)</u>	<u>\$ (31,613)</u>	<u>\$ 527,926</u>	<u>\$ 1,666,909</u>

SPECIAL REVENUE FUNDS

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, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Sales and use tax	\$ 228,199	\$ 228,199	\$ 252,648	\$ 24,449
Interest income	192	192	176	(16)
Total revenues	<u>228,391</u>	<u>228,391</u>	<u>252,824</u>	<u>24,433</u>
EXPENDITURES				
Current:				
Community development	93,410	93,410	19,846	73,564
Capital outlay	<u>141,500</u>	<u>141,500</u>	<u>120,000</u>	<u>21,500</u>
Total expenditures	<u>234,910</u>	<u>234,910</u>	<u>139,846</u>	<u>95,064</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(6,519)</u>	<u>(6,519)</u>	<u>112,978</u>	<u>119,497</u>
OTHER FINANCING SOURCES AND (USES)				
Transfers in	-	-	959	959
Transfers out	<u>(192,327)</u>	<u>(192,327)</u>	<u>(192,327)</u>	<u>-</u>
Total other financing sources and uses	<u>(192,327)</u>	<u>(192,327)</u>	<u>(191,368)</u>	<u>959</u>
NET CHANGE IN FUND BALANCE	<u>(198,846)</u>	<u>(198,846)</u>	<u>(78,390)</u>	<u>120,456</u>
FUND BALANCE, BEGINNING	<u>422,040</u>	<u>422,040</u>	<u>448,918</u>	<u>26,878</u>
FUND BALANCE, ENDING	<u>\$ 223,194</u>	<u>\$ 223,194</u>	<u>\$ 370,528</u>	<u>\$ 147,334</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, 2014

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
Sales and use tax	\$ 676,975	\$ 676,975	\$ 754,203	\$ 77,228
Interest	540	540	177	(363)
Total revenues	<u>677,515</u>	<u>677,515</u>	<u>754,380</u>	<u>76,865</u>
EXPENDITURES				
Current:				
Public safety	-	-	8,309	(8,309)
Capital outlay	<u>154,244</u>	<u>154,244</u>	<u>124,225</u>	<u>30,019</u>
Total expenditures	<u>154,244</u>	<u>154,244</u>	<u>132,534</u>	<u>21,710</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	523,271	523,271	621,846	98,575
OTHER FINANCING SOURCES (USES)				
Transfers out	(784,403)	(784,403)	(784,403)	-
Total other financing sources (uses)	(784,403)	(784,403)	(784,403)	-
NET CHANGE IN FUND BALANCE	(261,132)	(261,132)	(162,557)	98,575
FUND BALANCE, BEGINNING	<u>506,562</u>	<u>506,562</u>	<u>506,562</u>	-
FUND BALANCE, ENDING	<u>\$ 245,430</u>	<u>\$ 245,430</u>	<u>\$ 344,005</u>	<u>\$ 98,575</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, 2014

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
Fines and fees	\$ 381,857	\$ 381,857	\$ 494,211	\$ 112,354
Total revenues	<u>381,857</u>	<u>381,857</u>	<u>494,211</u>	<u>112,354</u>
EXPENDITURES				
Current:				
Public safety	<u>358,875</u>	<u>358,875</u>	<u>408,891</u>	(50,016)
Total expenditures	<u>358,875</u>	<u>358,875</u>	<u>408,891</u>	(50,016)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	22,982	22,982	85,320	62,338
OTHER FINANCING SOURCES (USES)				
Transfers out	(19,092)	(19,092)	(19,092)	-
Total other financing sources (uses)	(19,092)	(19,092)	(19,092)	-
NET CHANGE IN FUND BALANCE	3,890	3,890	66,228	62,338
FUND BALANCE, BEGINNING	<u>24,509</u>	<u>24,509</u>	<u>24,509</u>	-
FUND BALANCE, ENDING	<u>\$ 28,399</u>	<u>\$ 28,399</u>	<u>\$ 90,737</u>	<u>\$ 62,338</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, 2014

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
Hotel occupancy tax	\$ 186,075	\$ 186,075	\$ 202,779	\$ 16,704
Interest income	60	60	82	22
Total revenues	<u>186,135</u>	<u>186,135</u>	<u>202,861</u>	<u>16,726</u>
EXPENDITURES				
Current:				
Community development	<u>114,143</u>	<u>114,143</u>	<u>98,102</u>	<u>16,041</u>
Total expenditures	<u>114,143</u>	<u>114,143</u>	<u>98,102</u>	<u>16,041</u>
EXCESS (DEFICIENCIES OVER (UNDER) EXPENDITURES	<u>71,992</u>	<u>71,992</u>	<u>104,759</u>	<u>32,767</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(55,966)	(55,966)	(55,966)	-
Total other financing sources (uses)	<u>(55,966)</u>	<u>(55,966)</u>	<u>(55,966)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	16,026	16,026	48,793	32,767
FUND BALANCE, BEGINNING	<u>140,526</u>	<u>140,526</u>	<u>140,526</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 156,552</u>	<u>\$ 156,552</u>	<u>\$ 189,319</u>	<u>\$ 32,767</u>

DEBT SERVICE FUNDS

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, 2014

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property taxes	\$ 154,906	\$ 154,906	\$ 175,126	\$ 20,220
Interest income	<u>1</u>	<u>1</u>	<u>57</u>	<u>56</u>
Total revenues	<u>154,907</u>	<u>154,907</u>	<u>175,183</u>	<u>20,276</u>
EXPENDITURES				
Debt service:				
Principal	246,000	246,000	246,000	-
Interest and fiscal charges	<u>42,034</u>	<u>42,034</u>	<u>42,328</u>	<u>(294)</u>
Total expenditures	<u>288,034</u>	<u>288,034</u>	<u>288,328</u>	<u>(294)</u>
EXCESS (DEFICIENCIES OVER (UNDER) EXPENDITURES	<u>(133,127)</u>	<u>(133,127)</u>	<u>(113,145)</u>	<u>19,982</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>132,698</u>	<u>132,698</u>	<u>132,528</u>	<u>(170)</u>
Total other financing sources (uses)	<u>132,698</u>	<u>132,698</u>	<u>132,528</u>	<u>(170)</u>
NET CHANGE IN FUND BALANCE	<u>(429)</u>	<u>(429)</u>	<u>19,383</u>	<u>19,812</u>
FUND BALANCE, BEGINNING	<u>125,011</u>	<u>125,011</u>	<u>125,011</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 124,582</u>	<u>\$ 124,582</u>	<u>\$ 144,394</u>	<u>\$ 19,812</u>

CAPITAL PROJECTS FUNDS

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, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Intergovernmental	\$ 160,552	\$ 160,552	\$ 166,701	\$ 6,149
Interest	15	15	54	39
Total revenues	<u>160,567</u>	<u>160,567</u>	<u>166,755</u>	<u>6,188</u>
EXPENDITURES				
Capital outlay	-	-	125,262	(125,262)
Total expenditures	<u>-</u>	<u>-</u>	<u>125,520</u>	<u>(125,520)</u>
EXCESS (DEFICIENCIES OVER (UNDER) EXPENDITURES	160,567	160,567	41,235	(119,332)
FUND BALANCE, BEGINNING	<u>1,070</u>	<u>1,070</u>	<u>1,070</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 161,637</u>	<u>\$ 161,637</u>	<u>\$ 42,305</u>	<u>\$ (119,332)</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, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Interest	\$ 100	\$ 100	\$ 100	\$ -
Other	<u>147,236</u>	<u>147,236</u>	<u>398,131</u>	<u>250,895</u>
Total revenues	<u>147,336</u>	<u>147,336</u>	<u>398,231</u>	<u>250,895</u>
EXPENDITURES				
Public works	-	-	4,000	(4,000)
Capital outlay	<u>-</u>	<u>-</u>	<u>24,931</u>	<u>(24,931)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>28,931</u>	<u>(28,931)</u>
NET CHANGE IN FUND BALANCE	147,336	147,336	369,300	221,964
FUND BALANCE, BEGINNING	<u>141,225</u>	<u>141,225</u>	<u>141,225</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 288,561</u>	<u>\$ 288,561</u>	<u>\$ 510,525</u>	<u>\$ 221,964</u>

Statistical Section

(Unaudited)

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

	<u>Page Number</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance has changed over time.	67 – 75
Revenue Capacity	
These schedules contain information to help the reader assess the factors affecting the City's most significant local revenue source – tax revenue, as well as its ability to generate its property taxes.	76 – 81
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	82 – 88
Demographic and Economic Information	
These schedules offer demographics and economic indicators to help the reader understand the environment within which the City's financial activities take place.	89 – 90
Operating Information	
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	91 – 93

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The City implemented Statement 34 in 2004; schedules presenting government-wide information include information beginning in that year.

CITY OF RICHLAND HILLS, TEXAS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

	Fiscal Year		
	2005	2006	2007
Governmental activities:			
Invested in capital assets, net of related debt	\$ 10,116,134	\$ 9,609,930	\$ 8,973,364
Restricted	58,177	56,693	384,137
Unrestricted	4,364,948	4,303,817	4,765,358
Total governmental activities net position	\$ 14,539,259	\$ 13,970,440	\$ 14,122,859
Business-type activities:			
Invested in capital assets, net of related debt	\$ 5,382,901	\$ 5,599,182	\$ 5,705,248
Restricted	871,988	955,912	1,026,423
Unrestricted	1,113,198	1,092,985	413,272
Total business-type activities net position	\$ 7,368,087	\$ 7,648,079	\$ 7,144,943
Primary government:			
Invested in capital assets, net of related debt	\$ 15,499,035	\$ 15,209,112	\$ 14,678,612
Restricted	930,165	1,012,605	1,410,560
Unrestricted	5,478,146	5,396,802	5,178,630
Total primary government net position	\$ 21,907,346	\$ 21,618,519	\$ 21,267,802

TABLE 1

		Fiscal Year											
		2008	2009	2010	2011	2012	2013	2014					
\$	8,565,062	\$	8,108,808	\$	8,215,829	\$	7,815,576	\$	7,603,080	\$	9,777,284	\$	10,136,996
	412,610		439,715		375,753		1,542,536		1,811,780		1,245,956		1,151,665
	<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>2,867,748</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>	\$	<u>14,156,409</u>
\$	5,945,512	\$	6,093,323	\$	6,194,852	\$	7,255,716	\$	6,893,293	\$	7,096,222	\$	7,741,269
	1,011,985		1,039,337		1,212,169		-		-		-		-
(<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>3,635,550</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>	\$	<u>11,376,819</u>
\$	14,510,574	\$	14,202,131	\$	14,410,681	\$	15,071,292	\$	14,496,373	\$	16,873,506	\$	17,878,265
	1,424,595		1,479,052		1,587,922		1,542,536		1,811,780		1,245,956		1,151,665
	<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>6,503,298</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>	\$	<u>25,533,228</u>

CITY OF RICHLAND HILLS, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	Fiscal Year		
	2005	2006	2007
EXPENSES			
Governmental activities:			
General government	\$ 457,179	\$ 442,659	\$ 431,748
Public safety	3,364,721	3,719,164	4,179,157
Public works	1,128,504	1,147,289	1,203,362
Culture and recreation	292,394	295,554	302,913
Parks and beautification	51,542	39,120	40,783
Community development	83,218	70,075	100,409
Interest on long-term debt	75,836	83,135	92,682
Total governmental activities expenses	<u>5,453,394</u>	<u>5,796,996</u>	<u>6,351,054</u>
Business-type activities:			
Water and sewer	2,989,931	3,139,909	3,472,363
Drainage utility	96,559	88,518	118,124
Total business-type activities expenses	<u>3,086,490</u>	<u>3,228,427</u>	<u>3,590,487</u>
Total primary government program expenses	<u>\$ 8,539,884</u>	<u>\$ 9,025,423</u>	<u>\$ 9,941,541</u>
PROGRAM REVENUES			
Governmental activities:			
Charges for services:			
General government	\$ 297,003	\$ 314,430	\$ 266,339
Public safety	773,493	595,129	1,271,650
Public works	-	-	-
Community development	-	-	-
Operating grants and contributions	107,719	183,081	152,616
Capital grants and contributions	150,505	61,929	130,204
Total governmental activities program revenues	<u>1,328,720</u>	<u>1,154,569</u>	<u>1,820,809</u>
Business-type activities:			
Charges for services:			
Water and sewer	2,902,880	3,088,235	2,712,339
Drainage utility	154,060	152,743	155,034
Capital grants and contributions	126,000	134,492	-
Total business-type activities program revenues	<u>3,182,940</u>	<u>3,375,470</u>	<u>2,867,373</u>
Total primary government program revenues	<u>\$ 4,511,660</u>	<u>\$ 4,530,039</u>	<u>\$ 4,688,182</u>

TABLE 2

Fiscal Year						
2008	2009	2010	2011	2012	2013	2014
\$ 381,991	\$ 396,736	\$ 409,627	\$ 452,544	\$ 628,950	\$ 654,916	\$ 2,178,338
4,548,288	4,727,024	5,269,229	5,032,257	4,903,622	4,977,046	4,984,115
1,277,037	1,445,582	1,339,330	1,151,899	1,211,553	716,031	665,931
329,331	317,101	364,142	453,741	389,982	435,470	398,638
43,290	46,457	26,670	21,182	34,013	15,628	58,280
83,792	135,632	126,422	612,100	614,100	757,894	506,160
91,450	82,847	74,760	56,979	79,132	70,283	47,957
<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>	<u>8,839,419</u>
3,519,155	3,564,422	3,904,845	3,845,749	3,647,012	3,183,727	2,482,137
250,726	134,218	153,742	440,644	328,298	548,407	525,246
<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>3,007,383</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>	<u>\$ 11,846,802</u>
\$ 257,878	\$ 174,566	\$ 189,645	\$ 279,595	\$ 150,242	\$ 109,538	\$ 205,536
804,512	772,830	816,496	972,419	869,715	1,147,085	1,166,133
-	-	-	34,245	-	-	-
-	-	-	22,887	20,498	24,582	21,028
179,182	164,926	230,056	268,290	377,544	382,669	615,544
97,423	352,102	226,239	393,993	280,848	1,885,625	479,747
<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>	<u>2,487,988</u>
3,133,427	3,167,127	3,313,932	4,544,897	4,280,409	4,116,584	3,996,698
177,406	662,405	691,018	738,144	778,213	817,330	849,324
-	-	-	-	-	-	-
<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>4,846,022</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>	<u>\$ 7,334,010</u>

CITY OF RICHLAND HILLS, TEXAS

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

	Fiscal Year		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
NET (EXPENSE) REVENUES			
Governmental activities	\$(4,124,674)	\$(4,642,427)	\$(4,530,245)
Business-type activities	96,450	147,043	(723,114)
Total primary government net expense	<u>(4,028,224)</u>	<u>(4,495,384)</u>	<u>(5,253,359)</u>
 GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS			
Governmental activities:			
Taxes			
Property	1,706,980	1,772,300	1,858,628
Sales	1,456,326	1,601,495	2,067,016
Franchise	436,661	598,861	552,072
Hotel occupancy	-	-	-
Investment earnings	76,521	136,546	159,705
Miscellaneous	288,683	-	61,441
Gain on sale of capital assets	-	-	-
Transfers	<u>(66,062)</u>	<u>(35,594)</u>	<u>(16,198)</u>
Total governmental activities	<u>3,899,109</u>	<u>4,073,608</u>	<u>4,682,664</u>
Business-type activities:			
Investment earnings	51,965	97,355	203,780
Miscellaneous	-	-	-
Transfers	<u>66,062</u>	<u>35,594</u>	<u>16,198</u>
Total business-type activities	<u>118,027</u>	<u>132,949</u>	<u>219,978</u>
Total primary government	<u>4,017,136</u>	<u>4,206,557</u>	<u>4,902,642</u>
 CHANGE IN NET ASSETS			
Governmental activities	(225,565)	(568,819)	152,419
Business-type activities	<u>214,477</u>	<u>279,992</u>	<u>(503,136)</u>
Total primary government	<u>\$(11,088)</u>	<u>\$(288,827)</u>	<u>\$(350,717)</u>

TABLE 2

Fiscal Year						
2008	2009	2010	2011	2012	2013	2014
\$(5,416,184)	\$(5,686,955)	\$(6,147,744)	\$(5,809,273)	\$(6,162,505)	\$(4,077,769)	\$(6,351,431)
(459,048)	130,892	(53,637)	996,648	1,083,312	1,201,780	1,838,639
(5,875,232)	(5,556,063)	(6,201,381)	(4,812,625)	(5,079,193)	(2,875,989)	(4,512,792)
1,927,273	2,083,969	2,119,563	2,197,570	2,204,507	2,174,946	2,298,865
2,457,930	2,262,356	2,210,327	2,593,770	3,077,839	2,743,469	3,029,601
543,654	562,590	480,222	509,015	651,374	471,759	545,626
-	52,079	121,561	152,597	182,112	194,967	202,779
64,126	9,476	3,925	3,806	2,416	2,076	1,469
166,573	938,837	151,306	97,145	12,053	8,513	7,961
-	-	-	-	-	28,678	54,345
-	(266,198)	(16,198)	(300,788)	(116,198)	(57,091)	1,148,890
5,159,556	5,643,109	5,070,706	5,253,115	6,014,103	5,567,317	7,289,536
58,927	9,017	3,375	6,347	4,618	4,141	4,939
-	-	-	5,728	7,925	6,233	6,909
-	266,198	16,198	300,788	116,198	57,091	(1,148,890)
58,927	275,215	19,573	312,863	128,741	67,465	(1,137,042)
5,218,483	5,918,324	5,090,279	5,565,978	6,142,844	5,634,782	6,152,494
(256,628)	(43,846)	(1,077,038)	(556,158)	(148,402)	1,489,548	938,105
(400,121)	406,107	(34,064)	1,309,511	1,212,053	1,269,245	701,597
\$(656,749)	\$ 362,261	\$(1,111,102)	\$ 753,353	\$ 1,063,651	\$ 2,758,793	\$ 1,639,702

CITY OF RICHLAND HILLS, TEXAS

FUND BALANCES
GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General fund	\$ 65,997	\$ 70,206	\$ 88,573	\$ 94,104	\$ 83,381	\$ 959,203	\$ -	\$ -	\$ -	\$ -
Reserved	-	-	-	-	-	-	830,477	663,958	432,896	274,237
Nonspendable	-	-	-	-	-	-	1,496,041	1,404,689	1,549,578	1,776,039
Unassigned	2,343,951	2,511,373	2,753,628	2,789,037	2,483,768	1,115,619	-	-	-	-
Unreserved	-	-	-	-	-	-	-	-	-	-
Total general fund	\$ 2,409,948	\$ 2,581,579	\$ 2,842,201	\$ 2,883,141	\$ 2,567,149	\$ 2,074,822	\$ 2,326,518	\$ 2,068,647	\$ 1,982,474	\$ 2,050,276
All other governmental funds	\$ 50,235	\$ 49,069	\$ 376,513	\$ 403,585	\$ 408,406	\$ 351,107	\$ -	\$ -	\$ -	\$ -
Reserved	-	-	-	-	-	-	1,615,422	1,819,068	1,411,511	1,716,573
Restricted	-	-	-	-	-	-	23,425	23,425	23,425	23,425
Assigned	-	-	-	-	-	-	-	(47,496)	(40,487)	(73,089)
Unassigned	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	628,864	721,920	815,053	1,041,506	1,002,259	1,004,795	-	-	-	-
Capital projects funds	543,732	306,243	780,342	209,354	1,033,429	552,409	-	-	-	-
Total all other governmental funds	\$ 1,222,831	\$ 1,077,232	\$ 1,971,908	\$ 1,654,445	\$ 2,444,094	\$ 1,908,311	\$ 1,638,847	\$ 1,794,997	\$ 1,394,449	\$ 1,666,909

Note: Fund balance categories were altered in 2011 in conjunction with the application of GASB Statement 54.

CITY OF RICHLAND HILLS, TEXAS

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
REVENUES										
Taxes	\$ 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	\$ 6,062,670
Fines and fees	601,459	407,187	1,015,339	722,672	614,228	654,673	623,663	638,238	901,659	913,946
Licenses, permits, fees	89,062	109,134	135,319	136,745	69,108	111,859	274,680	144,736	99,370	201,111
Charges for services	270,299	285,603	249,631	237,077	237,184	240,425	253,010	263,253	279,873	221,449
Intergovernmental	258,224	182,962	168,050	166,444	426,644	382,703	499,954	337,263	1,989,549	639,634
Investment earnings	76,521	136,546	159,705	64,126	9,476	3,925	3,806	2,416	2,076	1,469
Other	378,990	73,952	105,921	231,634	984,144	194,319	191,828	340,957	287,258	463,618
Total revenues	5,281,960	5,159,060	6,254,227	6,501,555	7,286,708	6,523,794	7,530,341	7,801,316	9,194,188	8,503,897
EXPENDITURES										
General government	421,849	535,853	339,869	338,417	358,134	378,811	424,446	838,508	610,000	2,118,860
Public safety	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	4,748,753
Public works	1,428,254	326,348	349,109	493,330	656,433	510,250	276,251	298,169	394,109	277,196
Culture and recreation	262,553	276,603	284,706	308,140	293,622	329,463	382,008	370,103	389,945	354,525
Parks and beautification	58,976	40,649	9,311	11,818	16,005	4,256	10,378	26,991	8,110	51,492
Community and development	78,523	68,552	91,984	75,688	154,213	197,391	592,442	620,579	753,020	506,160
Capital outlay	396,212	707,548	321,570	954,855	472,993	913,798	1,235,800	537,927	2,853,936	889,280
Debt service										
Principal	210,000	200,000	191,000	223,000	242,000	251,000	331,000	293,000	308,000	318,000
Interest	66,662	78,471	83,867	99,393	79,663	71,249	83,958	73,191	81,240	48,259
Bond issuance costs	11,401	12,069	13,500	-	-	-	-	-	-	-
Total expenditures	6,212,130	5,697,543	5,626,696	6,810,716	6,598,453	7,556,434	7,911,964	7,786,839	10,076,260	9,312,525

CITY OF RICHLAND HILLS, TEXAS

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (930,170)	\$ (538,483)	\$ 627,531	\$ (309,161)	\$ 688,255	\$ (1,032,640)	\$ (381,623)	\$ 14,477	\$ (882,072)	\$ (808,628)
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	181,130	122,863	259,808	244,780	260,887	320,113	133,006	144,110	146,707	2,200,678
Operating transfers out	(247,192)	(158,457)	(276,006)	(244,780)	(527,085)	(336,311)	(333,006)	(260,308)	(203,798)	(1,051,788)
Total other financing sources (uses)	334,638	404,952	527,757	32,648	(214,598)	4,530	363,855	(116,198)	395,351	1,148,890
NET CHANGE IN FUND BALANCES	\$ (595,532)	\$ (133,531)	\$ 1,155,288	\$ (276,513)	\$ 473,657	\$ (1,028,110)	\$ (17,768)	\$ (101,721)	\$ (486,721)	\$ 340,262
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	4.76%	5.58%	5.18%	5.77%	5.40%	5.02%	6.12%	5.25%	5.36%	4.20%

CITY OF RICHLAND HILLS, TEXAS

GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE

LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Property Tax	Sales Tax	Beverage Tax	Franchise Tax	Hotel Occupancy Tax	Total
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
2014	2,296,433	3,028,027	1,574	533,857	202,779	6,062,670

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

Fiscal Year	Appraised Property Value					Less: Tax-exempt Property	Net Taxable Value	Total Direct Tax Rate
	Residential Property	Commercial Property	Industrial Property	Other Property	Personal Property			
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	0.456700
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
2014	244,644,818	133,773,931	11,034,455	5,204,810	83,241,474	47,763,360	430,136,128	0.528094

Source: (1) Tarrant Appraisal District

TABLE 7

CITY OF RICHLAND HILLS, TEXAS

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

Fiscal Year	City of Richland Hills			Birdville Independent School District	Tarrant County	Hospital District	Junior College	Total Levy
	Operations	Debt Service	Total					
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
2014	0.467694	0.060400	0.528094	1.435000	0.264000	0.227897	0.149500	2.604491

TABLE 8

CITY OF RICHLAND HILLS, TEXAS

TOP TEN TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

Taxpayer	Nature of Business	2014			2005		
		2014 Taxable Assessed Valuation	Rank	Percentage of Total City Taxable Assessed Valuation (1)	2005 Taxable Assessed Valuation*	Rank	Percentage of Total City Taxable Assessed Valuation (1)
First Industrial, LP	Real Estate/Commercial	\$ 8,205,913	1	1.9%	\$ 14,609,920	1	3.8%
CN Churchill II and III LLC	Hotel	5,985,000	2	1.4%	-		- %
Charter Communications	Utility	5,845,529	3	1.4%	-		- %
Regency Raintree	Apartments	5,500,000	4	1.3%	4,969,380	4	1.3%
Southwestern Bell	Utility	5,253,582	5	1.2%	11,587,483	2	3.0%
Stuart C Irby Company	Retailer	4,994,884	6	1.2%	-		- %
Oncor Electric Delivery Comp	Utility	4,976,271	7	1.2%	-		- %
Chesapeake Operating	Oil/Gas	4,614,900	8	1.1%	-		- %
First Industrial, LP	Real estate/commercial	4,033,300	9	0.9%	-		- %
AHC Richland Hills	Apartments	3,552,000	10	0.8%	-		- %
Eagle Drilling Company	Retailer	-			5,410,000	3	1.4%
TXU Exlectric Delivery Co	Utility	-			3,866,868	5	1.0%
Edward L Baker	Real Estate/Commercial	-			3,388,118	6	0.9%
Dynamo Corp	Retailer	-			3,272,052	7	0.8%
NH Texas Properties Ltd	Real Estate/Commercial	-			2,984,203	8	0.8%
Tradewind Associates LP	Retailer	-			2,856,000	9	0.7%
Rewal Corp II	Real Estate/Commercial	-			2,800,000	10	0.7%
Total assessed value of ten largest taxpayers		52,961,379		12.3%	55,744,024		14.4%
Total assessed value of other taxpayers		377,174,749		87.7%	331,434,684		- %
Total assessed value of all taxpayers		\$ 430,136,128		100.0%	\$ 387,178,708		100.0%

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).

TABLE 9

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

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Collections</u>	<u>Delinquent Taxes to Tax Levy</u>
2005	\$ 1,689,249	\$ 1,655,590	98.0%	\$ 27,702	\$ 1,683,292	99.6%	\$ 5,957	0.4%
2006	1,751,452	1,723,421	98.4%	26,851	1,750,272	99.9%	1,180	0.1%
2007	1,844,254	1,819,972	98.7%	19,996	1,839,968	99.8%	4,286	0.2%
2008	1,910,234	1,879,312	98.4%	17,681	1,896,993	99.3%	13,241	0.7%
2009	2,064,779	2,030,068	98.3%	22,357	2,052,425	99.4%	12,354	0.6%
2010	2,134,498	2,086,380	97.7%	(9,828)	2,076,552	97.3%	57,946	2.7%
2011	2,177,631	2,138,363	98.2%	29,056	2,167,419	99.5%	10,212	0.5%
2012	2,183,418	2,155,888	98.7%	23,722	2,179,610	99.8%	3,808	0.2%
2013	2,162,748	2,119,438	98.0%	40,146	2,159,584	99.9%	3,164	0.1%
2014	2,250,917	2,231,421	99.1%	-	2,231,421	99.1%	19,496	0.9%

CITY OF RICHLAND HILLS, TEXAS

TAXABLE SALES BY CATEGORY

LAST NINE YEARS (UNAUDITED)

	Calendar Year								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Construction	\$ 17,936,621	\$ 20,794,398	\$ 18,374,108	\$ 23,881,380	\$ 18,886,577	\$ 11,828,234	\$ 11,249,406	\$ 12,709,332	\$ 13,444,119
Manufacturing	11,187,900	10,257,696	7,914,159	6,347,714	5,661,817	5,675,971	4,665,073	6,536,124	6,834,779
Wholesale trade	29,854,627	38,193,847	41,068,220	50,674,366	38,372,556	42,179,004	39,795,387	76,100,674	45,061,683
Retail trade	11,342,161	10,063,701	8,905,776	8,887,046	8,542,823	9,190,270	9,910,698	11,802,169	19,603,777
Transportation/warehousing	12,063	7,006	3,389	-	8,824	5,502	9,048	15,211	31,662
Information	2,118,919	513,669	67,028	1,085,520	5,565,666	6,666,544	7,706,160	15,412,460	18,620,276
Real estate/rental/leasing	10,319	9,732	11,003	40,147	39,202	175,225	-	-	406,546
Professional/scientific/technical services	2,891,198	3,963,816	4,413,397	3,306,050	3,225,222	1,863,805	1,741,002	1,200,937	1,036,155
Administrative/waste management/remediation services	24,200,832	18,907,119	44,681,341	41,635,997	43,055,087	43,444,315	46,392,940	38,100,969	25,790,253
Educational services	5,085	282	459	-	1,721	5,830	1,940	29,962	122,286
Health care/social assistance	-	1,761	72,425	85,876	28,975	13,583	19,692	-	250
Arts/entertainment/recreation	-	23,821	32,869	9,816	-	-	-	6,347,157	6,452,503
Accommodation/food services	5,476,129	5,520,323	5,855,259	5,918,261	5,800,883	5,661,702	5,975,350	14,038,522	4,204,029
Other services	3,855,000	3,046,218	3,670,592	5,752,124	6,835,836	7,748,713	11,699,691	-	-
Other	-	-	-	-	-	-	-	-	-
Total	\$ 108,890,854	\$ 111,303,389	\$ 135,070,025	\$ 147,624,297	\$ 136,025,189	\$ 134,458,698	\$ 139,166,387	\$ 182,294,094	\$ 141,608,699
City direct sales tax rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

Source: Texas Comptroller of Public Accounts

CITY OF RICHLAND HILLS, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities					Business-type Activities		
	General Obligation Bonds	Combination Tax and Revenue Certificates of Obligation	Public Property Finance Contractual Obligations	Tax Note	Lease/Purchases	Revenue Bonds	Combination Tax and Revenue Certificates of Obligation	Lease/Purchases
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
2014	-	250,000	801,000	-	-	-	11,500,000	109,110

TABLE 11

Total Government- Wide Indebtedness	Estimated Population	Total Debt Per Capita	Per Capita Income	Per Capita Debt as Percent of Per Capita Income
\$ 6,430,000	8,300	\$ 775	\$ 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	8,300	1,013.89	20,247	5.01%
7,777,336	8,300	937.03	20,247	4.63%
9,858,521	8,094	1,218.00	22,682	5.37%
9,037,780	7,800	1,158.69	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%
12,660,110	7,801	1,622.88	22,682	7.15%

CITY OF RICHLAND HILLS, TEXAS

RATIOS OF GENERAL BONDED DEBT ASSESSED VALUE
AND NET GENERAL BONDED DEBT PER CAPITA

LAST TEN FISCAL YEARS

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
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
2014	7,801	430,136,128	801,000	144,394	656,606	0.15%	84.17

*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>
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%
2014	203,000	29,730	232,730	9,312,525	2.50%

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

CITY OF RICHLAND HILLS, TEXAS
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
SEPTEMBER 30, 2014 (UNAUDITED)

<u>Government Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ⁽¹⁾</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
City of Richland Hills	\$ 1,051,000	100.00%	<u>\$ 1,051,000</u>
Total direct debt ⁽²⁾			<u>1,051,000</u>
Birdville Independent School District	188,860,000	7.40%	13,975,640
Tarrant County Junior College	6,407,000	0.66%	42,286
Tarrant County Hospital District	47,440,000	0.66%	313,104
Tarrant County	316,812,000	0.66%	<u>2,090,959</u>
Total overlapping debt			<u>16,421,989</u>
Total direct and overlapping debt			<u>\$ 17,472,989</u>

Note: (1) Percentage of government units total property value located within the Richland Hills City limits.

(2) Includes both contractual obligation bonds and certificates of obligation bonds of the governmental activities.

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

Fiscal Year	Gross Revenues ⁽¹⁾	Direct Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
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
2014	4,007,569	1,679,794	2,327,775	540,000	249,760	789,760	2.95

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 2014 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 NINE FISCAL YEARS

<u>Year</u>	<u>Estimated Population</u>	<u>Median Household Income</u>	<u>Per Capita Personal Income</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2005	8,300	\$ 43,377	\$ 20,247	\$ 1,593	4.5%
2006	8,300	43,377	20,247	1,593	4.2%
2007	8,300	43,377	20,247	1,593	3.8%
2008	8,350	43,377	20,247	1,593	5.8%
2009	8,350	43,377	20,247	1,593	8.0%
2010	8,094	46,918	22,682	1,441	8.0%
2011	7,801	46,918	22,682	1,441	7.8%
2012	7,801	50,788	22,682	1,441	6.0%
2013	7,801	50,788	22,682	1,441	6.0%
2014	7,801	50,788	22,682	1,765	6.0%

Source: 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	2014			2005		
		Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Birdville ISD (3 schools)	Independent School District	235	1	4.6%	150	2	1.9%
Lexington Place Nursing and Rehabilitation Services	Nursing and personal care	101	2	2.0%			- %
Buyers Barricade	Barricade Rentals	97	3	1.9%			- %
Walmart Neighborhood Market	Grocery Store	95	4	1.9%	90	6	1.1%
Valley Dynamo	Table top games	85	5	1.7%			- %
City of Richland Hills	Municipality	79	6	1.5%	81	8	1.0%
Hamilton Form Company	Industrial Machinery and Equipment	75	7	1.5%	100	4	1.3%
Royal Bath	Plastic plumbing fixture manufacturi	72	8	1.4%			
Sterling House Nursing Home Corpor	Nursing and Personal Care	65	9	1.3%			- %
Trugreen Chemlawn	Landscape and Horticulture	60	10	1.2%	60	10	0.8%
Richland Hills Nursing Home	Nursing and Personal Care	-		- %	85	9	1.1%
Dyna Ten Company	Plumbing, Heating & Air Conditioni	-		- %	275	1	3.5%
Nesbitt Building Maintenance Inc	Cleaning, Maintenance Service	-		- %	125	3	1.6%
Security Link	Business Services, Miscellaneous	-		- %	100	5	1.3%
Dynamo Limited	Video Games Manufacturer				85	7	1.1%
		964		19.0%	1,151		14.7%

Sources: City records
 North Central Texas Council of Governments

CITY OF RICHLAND HILLS, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST NINE FISCAL YEARS

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Physical arrests	699	621	683	500	503	597	542	327	354	416
Number of law violations	470	271	539	3,396	3,885	3,511	3,693	1,090	1279	1,346
Fire										
Number of fire runs	569	475	613	612	541	543	480	477	1375	566
Number of EMS runs	1,252	897	807	845	813	920	889	898	909	920
Public Works - Streets										
Street resurfacing (miles)	0.6	0.5	0.3	0.3	0.2	1.4	23.0	0.33	1	0.75
Potholes repaired	132	128	134	118	123	123	184	517	207	369
Public Works - Water/Wastewater										
New connections	18	14	7	38	18	12	21	1	2	9
Water main breaks	19	24	23	26	25	43	18	30	9	31
Average daily consumption (thousand of gallons)	1,023	831	806	925	921	836	955	879	882	654
Peak daily consumption (thousand of gallons)	1,130	1,430	1,220	1,800	1,610	1,552	1,670	1,716	1,517	1,048
Average daily sewer treatment (thousand of gallons)	1,120	977	1,381	902	880	1,499	688	697	468	407
Library										
Volumes collection	38,858	38,476	38,721	39,393	37,954	37,562	41,310	36,346	40,276	37,117
Total volumes borrowed	45,816	41,544	35,004	40,056	42,288	36,398	39,208	34,678	5,218	55,635

Source: Various City departments

CITY OF RICHLAND HILLS, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST NINE FISCAL YEARS

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	10	11	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
Street lights	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)	2,360	2,360	2,360	2,360	2,360	2,360	2,360	2,360	2,360	2,360
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

Source: Various City departments

CITY OF RICHLAND HILLS, TEXAS

FULLTIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year																																																																																																																																																																																									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014																																																																																																																																																																																
General government											Administration	5	6	6	6	6	6	6	6	7	8	City secretary	1	1	1	1	1	1	1	1	1	1	Community development	3	2	2	2	2	3	3	3	3	3	Economic development	1	-	-	-	1	1	1	1	-	-	Animal services	2	2	2	2	2	2	2	2	2	2	Public safety											Police	27	29	29	29	29	29	30	30	24	25	Fire	17	17	17	17	17	17	16	16	16	17	Municipal court	3	3	3	3	3	3	2	2	2	2	Streets	3	2	3	3	3	3	2	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	2	2	2	2	2	2	3	3	3	3	Total	82	82	83	83	84	85	84	84	78	81
Administration	5	6	6	6	6	6	6	6	7	8	City secretary	1	1	1	1	1	1	1	1	1	1	Community development	3	2	2	2	2	3	3	3	3	3	Economic development	1	-	-	-	1	1	1	1	-	-	Animal services	2	2	2	2	2	2	2	2	2	2	Public safety											Police	27	29	29	29	29	29	30	30	24	25	Fire	17	17	17	17	17	17	16	16	16	17	Municipal court	3	3	3	3	3	3	2	2	2	2	Streets	3	2	3	3	3	3	2	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	2	2	2	2	2	2	3	3	3	3	Total	82	82	83	83	84	85	84	84	78	81											
City secretary	1	1	1	1	1	1	1	1	1	1	Community development	3	2	2	2	2	3	3	3	3	3	Economic development	1	-	-	-	1	1	1	1	-	-	Animal services	2	2	2	2	2	2	2	2	2	2	Public safety											Police	27	29	29	29	29	29	30	30	24	25	Fire	17	17	17	17	17	17	16	16	16	17	Municipal court	3	3	3	3	3	3	2	2	2	2	Streets	3	2	3	3	3	3	2	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	2	2	2	2	2	2	3	3	3	3	Total	82	82	83	83	84	85	84	84	78	81																						
Community development	3	2	2	2	2	3	3	3	3	3	Economic development	1	-	-	-	1	1	1	1	-	-	Animal services	2	2	2	2	2	2	2	2	2	2	Public safety											Police	27	29	29	29	29	29	30	30	24	25	Fire	17	17	17	17	17	17	16	16	16	17	Municipal court	3	3	3	3	3	3	2	2	2	2	Streets	3	2	3	3	3	3	2	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	2	2	2	2	2	2	3	3	3	3	Total	82	82	83	83	84	85	84	84	78	81																																	
Economic development	1	-	-	-	1	1	1	1	-	-	Animal services	2	2	2	2	2	2	2	2	2	2	Public safety											Police	27	29	29	29	29	29	30	30	24	25	Fire	17	17	17	17	17	17	16	16	16	17	Municipal court	3	3	3	3	3	3	2	2	2	2	Streets	3	2	3	3	3	3	2	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	2	2	2	2	2	2	3	3	3	3	Total	82	82	83	83	84	85	84	84	78	81																																												
Animal services	2	2	2	2	2	2	2	2	2	2	Public safety											Police	27	29	29	29	29	29	30	30	24	25	Fire	17	17	17	17	17	17	16	16	16	17	Municipal court	3	3	3	3	3	3	2	2	2	2	Streets	3	2	3	3	3	3	2	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	2	2	2	2	2	2	3	3	3	3	Total	82	82	83	83	84	85	84	84	78	81																																																							
Public safety											Police	27	29	29	29	29	29	30	30	24	25	Fire	17	17	17	17	17	17	16	16	16	17	Municipal court	3	3	3	3	3	3	2	2	2	2	Streets	3	2	3	3	3	3	2	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	2	2	2	2	2	2	3	3	3	3	Total	82	82	83	83	84	85	84	84	78	81																																																																		
Police	27	29	29	29	29	29	30	30	24	25	Fire	17	17	17	17	17	17	16	16	16	17	Municipal court	3	3	3	3	3	3	2	2	2	2	Streets	3	2	3	3	3	3	2	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	2	2	2	2	2	2	3	3	3	3	Total	82	82	83	83	84	85	84	84	78	81																																																																													
Fire	17	17	17	17	17	17	16	16	16	17	Municipal court	3	3	3	3	3	3	2	2	2	2	Streets	3	2	3	3	3	3	2	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	2	2	2	2	2	2	3	3	3	3	Total	82	82	83	83	84	85	84	84	78	81																																																																																								
Municipal court	3	3	3	3	3	3	2	2	2	2	Streets	3	2	3	3	3	3	2	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	2	2	2	2	2	2	3	3	3	3	Total	82	82	83	83	84	85	84	84	78	81																																																																																																			
Streets	3	2	3	3	3	3	2	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	2	2	2	2	2	2	3	3	3	3	Total	82	82	83	83	84	85	84	84	78	81																																																																																																														
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	2	2	2	2	2	2	3	3	3	3	Total	82	82	83	83	84	85	84	84	78	81																																																																																																																									
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	2	2	2	2	2	2	3	3	3	3	Total	82	82	83	83	84	85	84	84	78	81																																																																																																																																				
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Water and sewer	10	10	10	10	10	10	10	10	10	10	Drainage	2	2	2	2	2	2	3	3	3	3	Total	82	82	83	83	84	85	84	84	78	81																																																																																																																																																										
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Total	82	82	83	83	84	85	84	84	78	81																																																																																																																																																																																

COMPLIANCE SECTION



P A T T I L L O , B R O W N & H I L L , 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, 2014, 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 31, 2015.

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.

Partillo, Brown & Hill, L.L.P.

Waco, Texas
March 31, 2015