Office of the City Manager

City of Richland Hills, Texas

Memorandum

To: Honorable Mayor Bill Agan and members of the Richland Hills City Council

From: Eric Strong, City Manager

Date: April 5th, 2016

Subject: Accept 2015 Comprehensive Annual Financial Report as presented by a representative from Patillo, Brown & Hill, LLP.

City Council Action Requested:

Accept 2015 Comprehensive Annual Financial Report as presented by a representative from Patillo, Brown & Hill, LLP.

Background Information:

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 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.

Field work for the audit was completed in late 2015. A representative will have presented and reported on the Comprehensive Annual Financial Report (CAFR) of the City of Richland Hills, Texas, for the fiscal year ended September 30, 2015, during the presentation portion of the agenda. Copies will be disseminated to Mayor and Council at the meeting and a copy will be incorporated as an attachment to this agenda item.

The purpose of the CAFR is to provide the City Council, management, staff, the citizens and other interested parties with detailed information reflecting the City's financial

condition. After the CAFR has been accepted by Council it will be placed on the City's web site, a copy will be placed in the Richland Hills Public Library, and it will be available for public inspection at City Hall. An original copy will be kept as a permanent record of the City in the City Secretary's office.

Board/Citizen Input:

N/A

Attachments: CAFR

Financial Impact: N/A

Staff Contacts:

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CITY OF RICHLAND HILLS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
SEPTEMBER 30, 2015

CITY OF RICHLAND HILLS, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

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CITY OF RICHLAND HILLS, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

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INTRODUCTORY SECTION

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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, 2015. 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). Richland Hills occupies a land area of 3.9 square miles, is approximately 98% developed, and serves a population of 7,800.

In 2015, Richland Hill's experienced a 4.2% 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 12.3% of the total assessed value. Property tax and sales tax revenue are the City's principal income sources. Property tax revenues account for 37.6% of budgeted revenues and sales tax account for 36.1% of budgeted revenues for the general fund. Richland Hills continues to support an aggressive marketing campaign to attract commercial development in the City. 2015 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, 2015, 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, 2015, 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

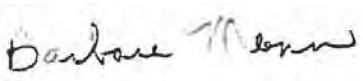
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for excellence in Financial Reporting to the City of Richland Hills for its comprehensive annual financial report for the fiscal year ended September 30, 2014. In order to be awarded 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, 2014

Executive Director/CEO

CITY OF RICHLAND HILLS, TEXAS

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2015

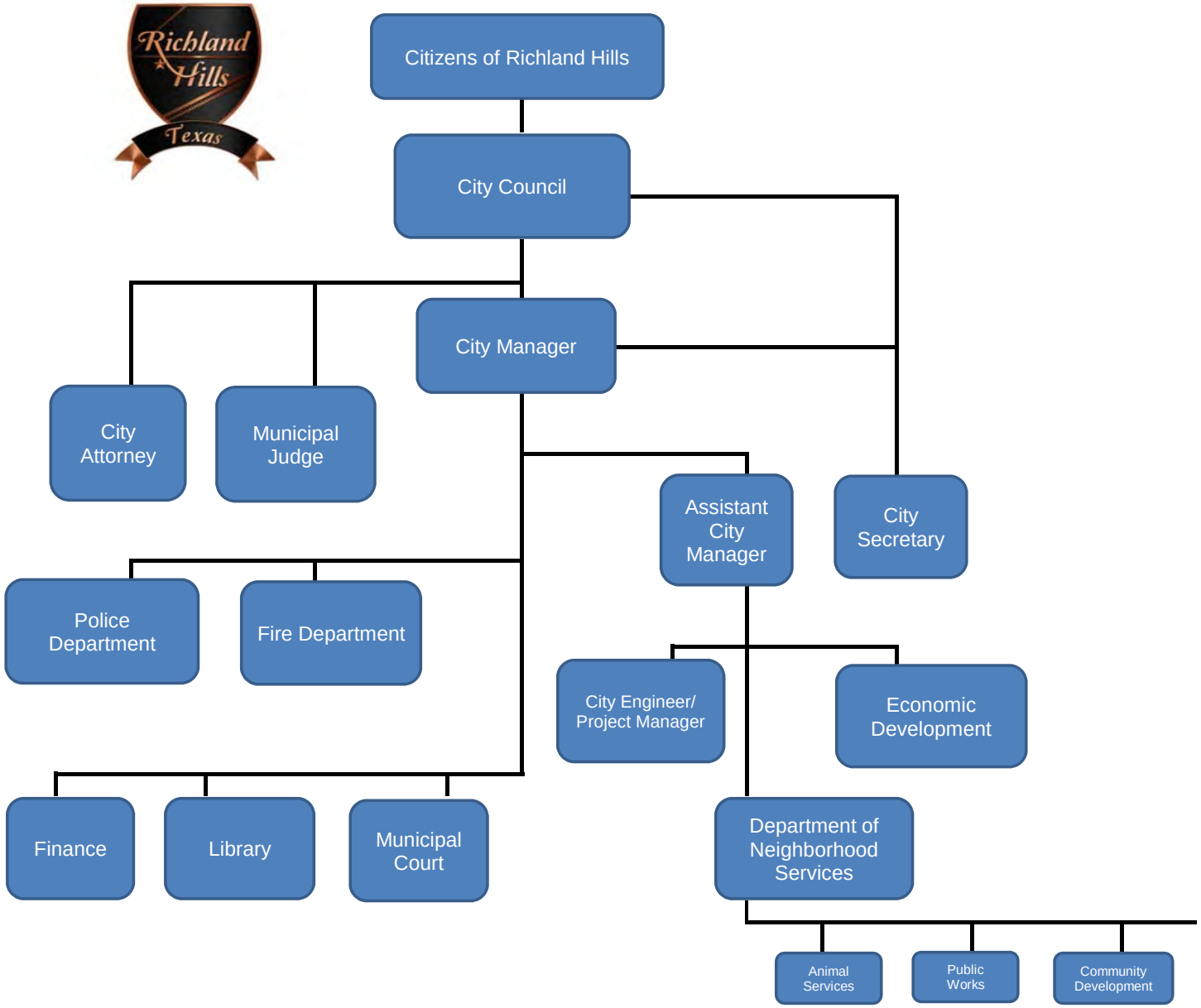
CITY COUNCIL

Bill Agan, Mayor

Roland Goveas, Place 1
Allison Barrette, Place 2
Robert DeSoto, Place 3
Beverly Williams, Place 4
Edward Lopez, Major 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


Citizens of Richland Hills
City Council
City Manager
City Attorney
Municipal Judge
Assistant City Manager
City Secretary
Police Department
Fire Department
City Engineer/ Project Manager
Economic Development
Finance
Library
Municipal Court
Department of Neighborhood Services
Animal Services
Public Works
Community Development

FINANCIAL SECTION

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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, 2015, and the related notes to the financial statements, which collectively comprise the City of Richland Hills' 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.

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Governmental Audit
Quality Center

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 of Richland Hills, Texas, as of September 30, 2015, 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 2015 the City adopted new accounting guidance, Governmental Accounting Standards (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27 and* Governmental Accounting Standards (GASB) Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. 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, the Schedule of Changes in Net Pensions Liability, and Related Ratios, and the Schedules of Contributions 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, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Waco, Texas
March 31, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Richland Hills, Texas, we offer readers of the City of Richland Hills' financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $24,856,633 (net position) compared to $25,533,228 for the prior year. Of this amount, $4,490,436 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 $1,336,987. The City's governmental activities net position increased by $1,241,601 and the business-type activities net position decreased by -$95,386. There was also a decrease due to a prior period adjustment of $2,013,582 related to the implementation of GASB 68.

- At of the close of the current year, the City of Richland Hills' governmental funds reported combined ending fund balances of $4,351,910 compared to $3,717,185 for the prior year. Approximately $2,814,817 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 $3,031,436, or 49.5% 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 16 through 18 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, and the Crime Control District Special Revenue Fund, which are considered major funds. 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 19 through 22 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 23 through 26 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 27 through 54 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information can be found on pages 55 through 59 of this report.

The individual major governmental funds' budget to actual schedules and combining and individual nonmajor governmental funds are presented immediately following the required supplementary information. These statements can be found on pages 60 through 70 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $24,856,633 as of September 30, 2015.

The largest portion of the City's net position (77.4%) 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 (4.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position $4,490,436 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	
	2015	2014	2015	2014	2015	2014
Current and other assets	$ 5,956,499	$ 5,338,029	$ 5,011,129	$ 7,957,312	$ 10,967,628	$ 13,295,341
Capital assets	11,171,781	11,187,996	19,720,038	16,288,955	30,891,819	27,476,951
Total assets	17,128,280	16,526,025	24,731,167	24,246,267	41,859,447	40,772,292
Deferred outflows of resources	632,204	-	230,172	82,429	862,376	82,429
Total deferred outflows	632,204	-	230,172	82,429	862,376	82,429
Current liabilities	712,290	723,443	969,801	665,789	1,682,091	1,389,232
Long-term liabilities	2,913,741	1,646,173	12,835,386	12,286,088	15,749,127	13,932,261
Total liabilities	3,626,031	2,369,616	13,805,187	12,951,877	17,431,218	15,321,493
Deferred inflows of resources	334,165	-	83,541	-	417,706	-
Total deferred inflows	334,165	-	83,541	-	417,706	-
Net position:						
Net investment in capital assets	10,450,781	10,136,996	8,788,016	7,741,269	19,238,797	17,878,265
Restricted	1,127,400	1,151,665	-	-	1,127,400	1,151,665
Unrestricted	2,205,841	2,867,748	2,284,595	3,635,550	4,490,436	6,503,298
Total net position	$ 13,784,022	$ 14,156,409	$ 11,072,611	$ 11,376,819	$ 24,856,633	$ 25,533,228

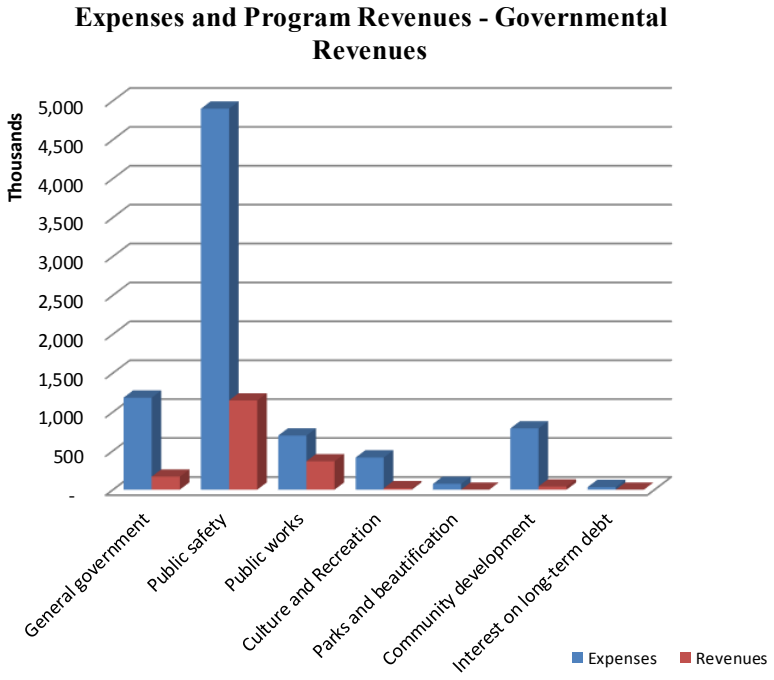
Changes in Net Position

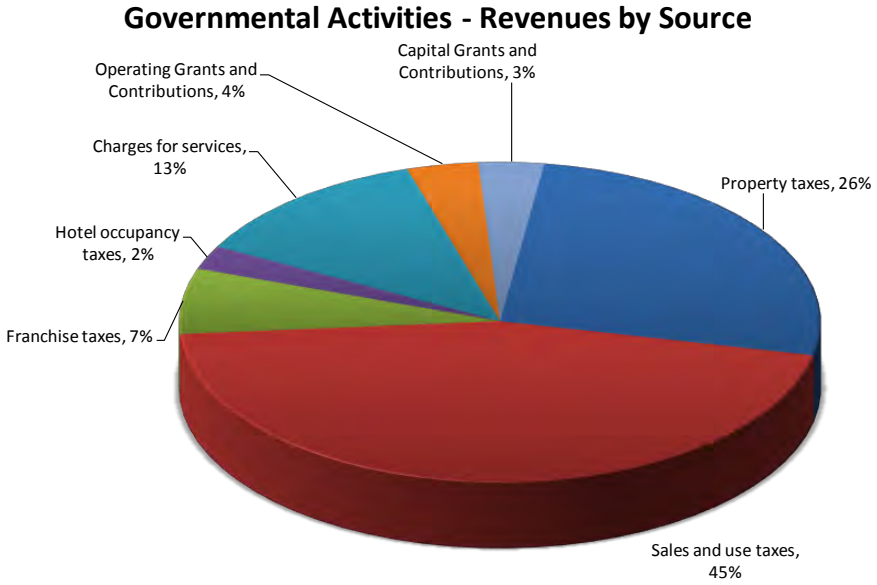
	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	$ 1,115,626	$ 1,392,697	$ 4,698,246	$ 4,846,022	$ 5,813,872	$ 6,238,719
Operating grants and contributions	324,176	615,544	-	-	324,176	615,544
Capital grants and contributions	298,227	479,747	-	-	298,227	479,747
General revenues:						
Property taxes	2,324,952	2,298,865	-	-	2,324,952	2,298,865
Sales taxes	4,023,815	3,029,601	-	-	4,023,815	3,029,601
Franchise taxes	590,583	545,626	-	-	590,583	545,626
Hotel occupancy taxes	210,250	202,779	-	-	210,250	202,779
Investment earnings	9,701	1,469	1,542	4,939	11,243	6,408
Miscellaneous	8,777	7,961	10,397	6,909	19,174	14,870
Gain on sale of assets	6,452	54,345	-	-	6,452	54,345
Total revenues	8,912,559	8,628,634	4,710,185	4,857,870	13,622,744	13,486,504
Expenses:						
General government	1,182,618	2,178,338	-	-	1,182,618	2,178,338
Public safety	4,898,102	4,984,115	-	-	4,898,102	4,984,115
Public works	695,387	665,931	-	-	695,387	665,931
Culture and recreation	413,433	398,638	-	-	413,433	398,638
Parks and beautification	74,723	58,280	-	-	74,723	58,280
Community development	787,272	506,160	-	-	787,272	506,160
Interest on long-term debt	33,408	47,957	-	-	33,408	47,957
Water sewer	-	-	3,801,600	2,482,137	3,801,600	2,482,137
Drainage utility	-	-	399,214	525,246	399,214	525,246
Total expenses	8,084,943	8,839,419	4,200,814	3,007,383	12,285,757	11,846,802
Increase (decrease) in net position before transfers	827,616	(210,785)	509,371	1,850,487	1,336,987	1,639,702
Transfers in (out)	413,985	1,148,890	(413,985)	(1,148,890)	-	-
Change in net position	1,241,601	938,105	95,386	701,597	1,336,987	1,639,702
Net position, beginning	14,156,409	13,264,235	11,376,819	10,907,674	25,533,228	24,171,909
Prior period adjustment	(1,613,988)	(45,931)	(399,594)	(232,452)	(2,013,582)	(278,383)
Net position, beginning, as restated	12,542,421	13,218,304	10,977,225	10,675,222	23,519,646	23,893,526
Net position, ending	$ 13,784,022	$ 14,156,409	$ 11,072,611	$ 11,376,819	$ 24,856,633	$ 25,533,228

Governmental activities. Governmental activities increased the City's net position by $1,241,601 in the current year compared with a $938,105 increase in the prior year. Total governmental activities revenues increased $283,925, or 3.3%, to $8,912,559. Total governmental activities expenses decreased $754,476 , or 8.5%, from the prior year. Key elements of these changes are as follows:

- The reason for increase in revenues was due to an increase in sales taxes primarily due to higher sales tax collections from new businesses in the City. The expenses increased primarily due to increases in salaries and wages, legal fees, and engineering and consultant fees.

Below are two graphs summarizing governmental activities revenues and expenses:

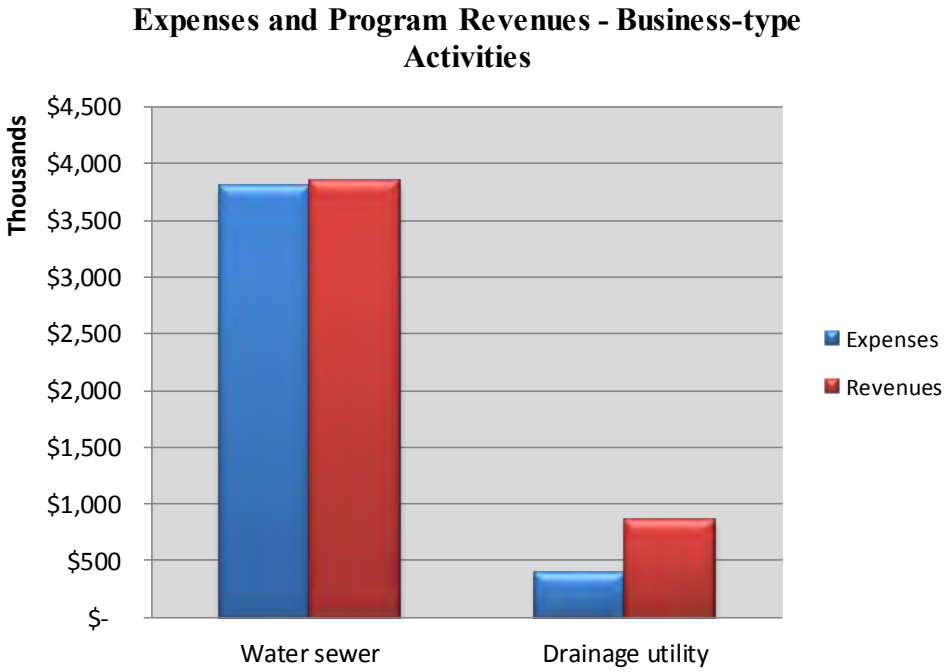


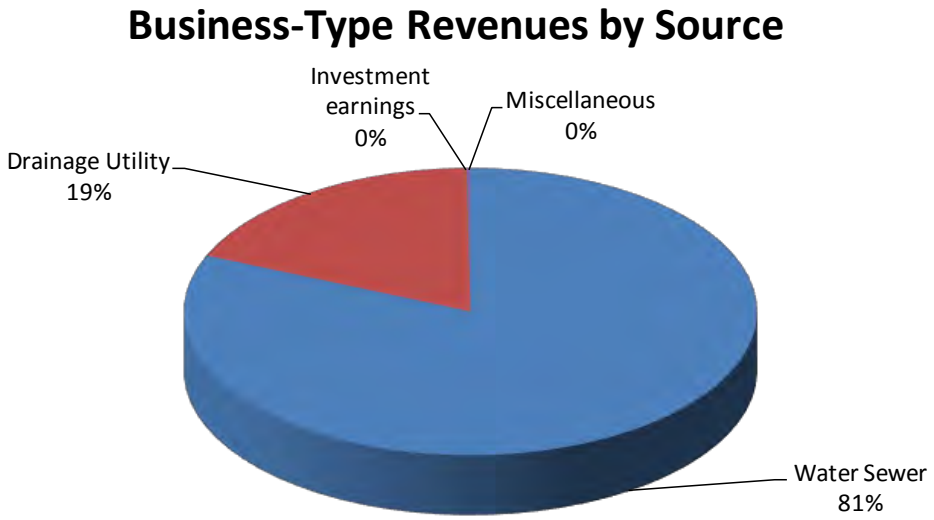


Business-type activities. Business-type activities increased the City's net position by $95,386 in the current year compared to an increase in net position of $701,597 in the prior year. The business-type activities total revenues decreased $147,685 (3.0%) to $4,710,185, and total expenses increased $1,193,431 (39.7%) to $4,200,814. Key elements of these changes are as follows:

- The decrease in business-type revenues stemmed from a $147,776 decrease in charges for services. The increase in expense was largely due to a $1,319,463 increase in water and sewer expenses.

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





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.

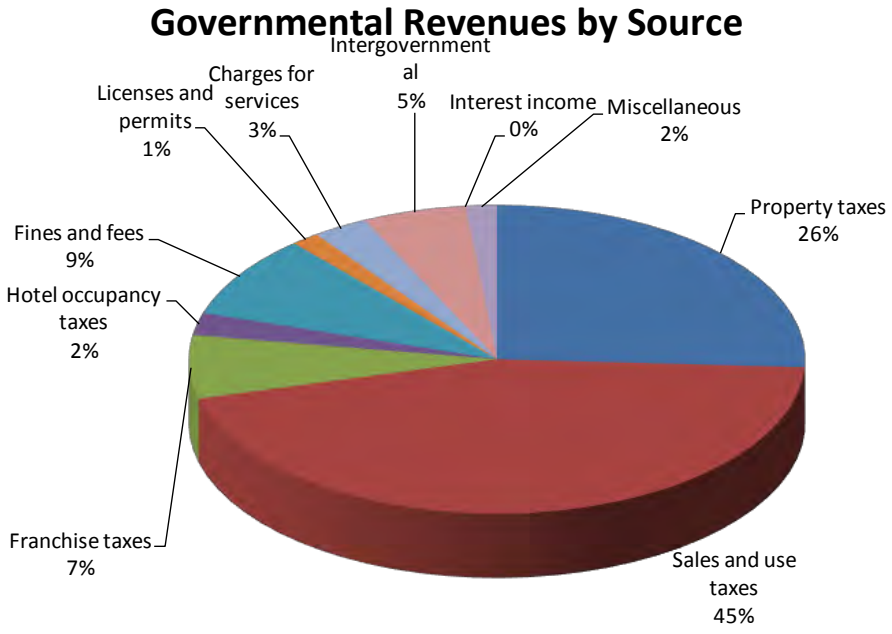
At year-end, the City's governmental funds reported combined ending fund balances of $4,351,910. $2,814,817 (64.7%) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted or committed to indicate that it is not available for new spending because of external and internal restrictions on its use.

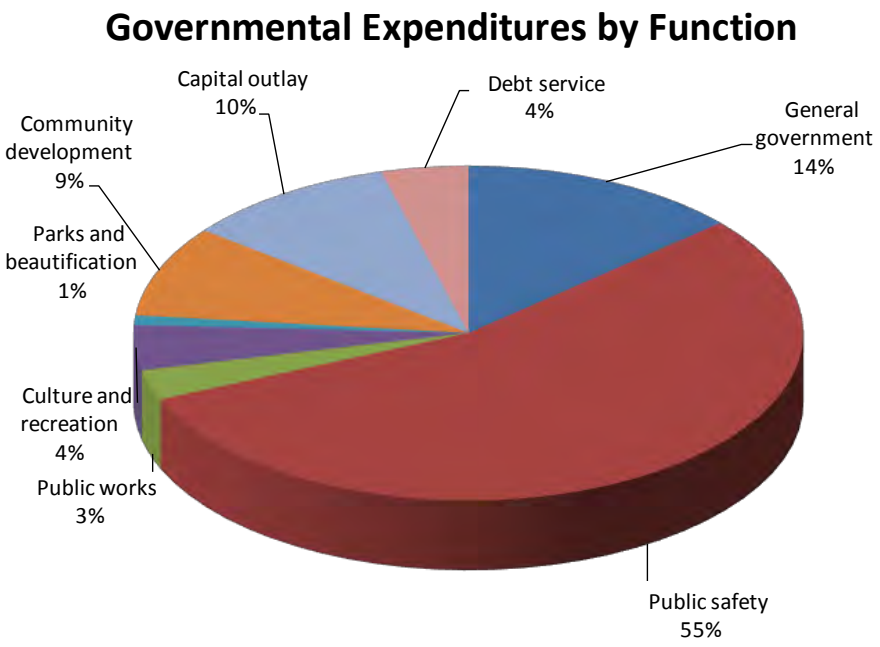
The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was $3,031,436. Fund balance of the General Fund increased $981,160 compared to a increase of $67,802 in the prior year. Key factors in this increase are as follows:

- Revenues increased $782,658, or 12.0%. General Fund sales and franchise taxes increased $719,298. Intergovernmental revenue increased $49,600 due to completion of various grant programs.

- Expenditures decreased $1,618,904, or 20.9%. The decrease is largely due to a decrease in general government expenditures of $937,006 and a decrease of public safety expenditures of $649,376.

Below are two graphs summarizing governmental fund revenues and expenditures.





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

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to $1,003,170 and those for the Drainage Utility Fund amounted to $1,281,425. The total change in net position for both funds was a decrease of $50,869 and an increase of $146,255, 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, 2015, amounts to $30,891,819 (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:

- Purchase of Land – 3271 $116,244
- Carpet in Library 25,000
- Ticket Writers, Police Department 34,914
- Tahoes, Police Department 116,654
- Vance Road Reconstruction 53,064
- Baker Boulevard Green Ribbon Project 372,710

Business-type Activities:

- Booth Well Motor – Pumping Equipment $51,122
- Sewer Line Rehabs 224,200
- Drainage Improvements 2,112,263
- Wastewater Lift Station 1,545,869
- Kubota Tractor 21,761

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

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	$ 830,414	$ 714,170	$ 256,267	$ 256,267	$ 1,086,681	$ 970,437
Construction in progress	794,905	369,132	7,223,561	3,565,429	8,018,466	3,934,561
Improvements other than buildings	270,525	280,526	2,492,600	2,567,952	2,763,125	2,848,478
Buildings	1,141,094	1,217,453	3,907	4,539	1,145,001	1,221,992
Water and sewer system	-	-	9,654,359	9,789,774	9,654,359	9,789,774
Machinery and equipment	850,550	891,333	89,344	104,994	939,894	996,327
Infrastructure	7,284,293	7,715,382	-	-	7,284,293	7,715,382
Total	$ 11,171,781	$ 11,187,996	$ 19,720,038	$ 16,288,955	$ 30,891,819	$ 27,476,951

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	
	2015	2014	2015	2014	2015	2014
Certificates of obligation	$ 130,000	$ 250,000	$ 10,305,000	$ 9,960,000	$ 10,435,000	$ 10,210,000
Contractual obligation	591,000	801,000	-	-	591,000	801,000
Capital leases payable	-	-	55,756	109,110	55,756	109,110
Revenue bonds	-	-	1,445,000	1,540,000	1,445,000	1,540,000
Total	$ 721,000	$ 1,051,000	$ 11,805,756	$ 11,609,110	$ 12,526,756	$ 12,660,110

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	A1	
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
Combination Tax and Water and Sewer Revenue Refunding Bonds, Series 2013		AA

Economic Factors and Next Year's Budgets and Rates

The City's taxable year 2015 taxable value, as provided by the Tarrant Appraisal District is $459,216,104, an increase of 2.68% over 2014's value of $447,227,348. The property tax rate in the next year's adopted budget is $.528805, which is the state calculated effective rate. The taxable assessed value for the 2016 fiscal year increased from approximately $430 million to $448 million. The estimated tax property tax revenue is $2,147,299, which is an increase of $50,624 from the 2014 projected amount.

Total operating revenues for Fiscal Year 2015-2016 are $6,352,322 as adopted, approximately $244,233 more than Fiscal Year 2014-2015. This increase is primarily due to by an increase in sales tax collections, which has been driven by several new businesses and business expansions. Sales tax revenue (including liquor tax) is projected at a total of $2,301,413, an increase of $206,176 over FY 2014 budget.

Total expenditures for the General Fund for the upcoming fiscal year are $6,246,871; an increase of $138,772 from FY 2014 budget. Water and wastewater billing revenues for Fiscal Year 2016 are projected at $4,127,730, which is the equivalent to the projection from FY 2015.

The approved Fiscal Year 2015-2016 budget also provides funding major projects as well. This includes the $160,000 in 2012 PPFCO funds that City Council designated in FY 2012-2013 for park capital improvements which will be available when the parks improvement study (funded in FY 2013-2014) is completed. In addition, funds are available in the Road and Street Improvement fund ($153,194).

The indicators from 2015 referenced earlier – the 2.68% increase in the City's total assessed value (with the largest growth in commercial and residential real property), and the increase in sales taxes – suggest that the outlook for the City of Richland Hills is very positive. The FY 2015-2016 annual budget approved by Council on September 15, 2015 sets out an ambitious but doable plan for service delivery for the municipal organization.

Requests for Information

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

BASIC
FINANCIAL STATEMENTS

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CITY OF RICHLAND HILLS, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 3,302,804	$ 3,399,323	$ 6,702,127
Investments	164,847	176,425	341,272
Receivables, net of allowance for uncollectibles			
Taxes	1,100,626	-	1,100,626
Accounts	529,521	718,820	1,248,341
Intergovernmental	205,448	-	205,448
Internal balances	653,253	(653,253)	-
Inventories	-	22,914	22,914
Restricted assets:			
Cash and cash equivalents	-	1,346,900	1,346,900
Capital assets:			
Land	830,414	256,267	1,086,681
Construction in progress	794,905	7,223,561	8,018,466
Buildings	2,530,292	174,022	2,704,314
Improvements other than buildings	1,228,258	2,892,872	4,121,130
Water and sewer systems	-	17,003,809	17,003,809
Machinery and equipment	4,185,628	1,201,542	5,387,170
Infrastructure	22,650,248	-	22,650,248
Less: accumulated depreciation	(21,047,964)	(9,032,035)	(30,079,999)
Total capital assets	11,171,781	19,720,038	30,891,819
Total assets	17,128,280	24,731,167	41,859,447
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	-	72,126	72,126
Deferred outflow related to TMRS	632,204	158,046	790,250
Total deferred outflows of resources	632,204	230,172	862,376
LIABILITIES			
Accounts payable	437,694	751,910	1,189,604
Accrued liabilities	277,208	24,796	302,004
Unearned revenue	(5,393)	-	(5,393)
Current liabilities payable from restricted assets:			
Interest payable	2,781	73,104	75,885
Customer deposits	-	119,991	119,991
Noncurrent liabilities:			
Due within one year - unrestricted	399,952	15,019	414,971
Due within one year - restricted	-	910,756	910,756
Due in more than one year	2,513,789	11,909,611	14,423,400
Total liabilities	3,626,031	13,805,187	17,431,218
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow related to TMRS	334,165	83,541	417,706
Total deferred inflows of resources	334,165	83,541	417,706
NET POSITION			
Net investment in capital assets	10,450,781	8,788,016	19,238,797
Restricted for:			
Debt service	176,344	-	176,344
Public safety	432,005	-	432,005
Economic development	519,051	-	519,051
Unrestricted	2,205,841	2,284,595	4,490,436
Total net position	$ 13,784,022	$ 11,072,611	$ 24,856,633

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, 2015

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	$ 1,182,618	$ 145,957	$ 21,579	$ -
Public safety	4,898,102	949,047	175,652	22,228
Public works	695,387	-	88,565	275,999
Culture and recreation	413,433	-	18,678	-
Parks and beautification	74,723	-	-	-
Community development	787,272	20,622	19,702	-
Interest on long-term debt	33,408	-	-	-
Total governmental activities	8,084,943	1,115,626	324,176	298,227
Business-type activities				
Water sewer	3,801,600	3,832,559	-	-
Drainage utility	399,214	865,687	-	-
Total business-type activities	4,200,814	4,698,246	-	-
Total primary government	$ 12,285,757	$ 5,813,872	$ 324,176	$ 298,227

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 position 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
$(1,015,082)	$ -	$(1,015,082)
(3,751,175)	-	(3,751,175)
(330,823)	-	(330,823)
(394,755)	-	(394,755)
(74,723)	-	(74,723)
(746,948)	-	(746,948)
(33,408)	-	(33,408)
(6,346,914)	-	(6,346,914)
-	30,959	30,959
-	466,473	466,473
-	497,432	497,432
(6,346,914)	497,432	(5,849,482)
2,154,510	-	2,154,510
170,442	-	170,442
4,023,815	-	4,023,815
590,583	-	590,583
210,250	-	210,250
9,701	1,542	11,243
8,777	10,397	19,174
6,452	-	6,452
413,985	(413,985)	-
7,588,515	(402,046)	7,186,469
1,241,601	95,386	1,336,987
14,156,409	11,376,819	25,533,228
(1,613,988)	(399,594)	(2,013,582)
12,542,421	10,977,225	23,519,646
$ 13,784,022	$ 11,072,611	$ 24,856,633

CITY OF RICHLAND HILLS, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2015

	General	Crime Control District	Other Governmental	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 1,955,882	$ 226,613	$ 1,120,309	$ 3,302,804
Investments	164,847	-	-	164,847
Receivables (net of allowances for uncollectibles)				
Taxes	838,105	171,143	91,378	1,100,626
Accounts	486,519	-	43,002	529,521
Intergovernmental	18,363	-	187,085	205,448
Due from other funds	1,046,431	768	190,570	1,237,769
Total assets	4,510,147	398,524	1,632,344	6,541,015
LIABILITIES				
Liabilities:				
Accounts payable	177,855	831	259,008	437,694
Accrued liabilities	277,208		-	277,208
Due to other funds	150,227	-	434,289	584,516
Total liabilities	605,290	831	693,297	1,299,418
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	873,421	-	-	873,421
Total deferred inflows of resources	873,421	-	-	873,421
FUND BALANCES				
Restricted	-	397,693	1,115,975	1,513,668
Assigned	-	-	23,425	23,425
Unassigned	3,031,436	-	(216,619)	2,814,817
Total fund balance	3,031,436	397,693	922,781	4,351,910
Total liabilities, deferred inflows of resources and fund balance	$ 4,510,147	$ 398,524	$ 1,616,078	$ 6,524,749

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, 2015

Total fund balances - governmental funds	$ 4,351,910
Capital assets used in governmental activities are not financial resources and therefore are reported in the governmental funds.	11,171,781
Some liabilities, including bonds payable, interest payable, and accrued compensated absences are not reported as liabilities in the governmental funds. The net pension liability is not due and payable in the current period and therefore are not reported in the funds. Also, the deferred resource outflows (inflows) related to the net pension liability are not reported in the funds.	(2,618,483)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	878,814
Net position of governmental activities	$ 13,784,022

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, 2015

	General	Crime Control District	Other Governmental	Total Governmental Funds
REVENUES				
Taxes:				
General property	$ 2,136,282	$ -	$ 170,442	$ 2,306,724
Sales and use	2,685,322	1,003,104	335,389	4,023,815
Franchise	590,583	-	-	590,583
Hotel occupancy	-	-	210,250	210,250
Fines and fees	458,374	-	317,147	775,521
Licenses and permits	131,148	-	-	131,148
Charges for services	260,172	-	-	260,172
Intergovernmental	209,487	-	275,999	485,486
Interest income	567	99	412	1,078
Miscellaneous	57,129	-	88,565	145,694
Total revenues	6,529,064	1,003,203	1,398,204	8,930,471
EXPENDITURES				
General government	1,181,854	-	-	1,181,854
Public safety	3,682,177	791,907	315,858	4,789,942
Public works	249,589	-	3,260	252,849
Culture and recreation	378,425	-	-	378,425
Parks and beautification	81,620	-	-	81,620
Community development	416,886	-	352,460	769,346
Capital outlay	56,802	123,941	715,000	895,743
Debt service:				
Principal	75,000	-	255,000	330,000
Interest and fiscal charges	4,538	-	31,866	36,404
Total expenditures	6,126,891	915,848	1,673,444	8,716,183
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	402,173	87,355	(275,240)	214,288
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	6,452	-	-	6,452
Transfers in	572,535	-	133,025	705,560
Transfers out	-	(33,667)	(257,908)	(291,575)
Total other financing sources (uses)	578,987	(33,667)	(124,883)	420,437
NET CHANGE IN FUND BALANCES	981,160	53,688	(400,123)	634,725
FUND BALANCES, BEGINNING	2,050,276	344,005	1,322,904	3,717,185
FUND BALANCES, ENDING	$ 3,031,436	$ 397,693	$ 922,781	$ 4,351,910

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, 2015

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

Net change in fund balances - total governmental funds	$ 634,725
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.	(16,215)
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.	330,000
Certain pension expenditures are not expended in the government-wide financial statements and recorded as deferred resource outflows. This item relates to contributions made after the measurement date. Additionally, a portion of the City's unrecognized deferred resource outflows and inflows related to the pension liability were amortized.	284,870
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.	32,585
The net revenue (expense) of internal service funds is reported with governmental activities.	-
Some revenues in the statement of activities do not provide current financial resources and are not included in the governmental funds.	(24,364)
Change in net position of governmental activities - statement of activities	$ 1,241,601

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

CITY OF RICHLAND HILLS, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015

	Business-type Activities - Enterprise Funds			Governmental Activities-
	Water and Sewer	Drainage Utility	Totals	Internal Service
ASSETS				
Current assets:				
Cash and cash equivalents	$ 1,878,735	$ 1,520,588	$ 3,399,323	$ -
Investments	176,275	150	176,425	-
Accounts receivable, net of allowances	718,820	-	718,820	-
Due from other funds	2,482	73,026	75,508	-
Inventory	22,914	-	22,914	-
Restricted assets:				
Cash and cash equivalents	782,883	564,017	1,346,900	-
Total current assets	3,582,109	2,157,781	5,739,890	-
Noncurrent assets:				
Capital assets:				
Land	207,267	49,000	256,267	-
Construction in progress	1,545,869	5,677,692	7,223,561	-
Buildings	174,022	-	174,022	-
Improvements other than buildings	83,761	2,809,111	2,892,872	-
Waterworks and sewer system	17,003,809	-	17,003,809	-
Equipment	1,101,961	99,581	1,201,542	330,000
Less: accumulated depreciation	(8,600,326)	(431,709)	(9,032,035)	-
Total noncurrent assets	11,516,363	8,203,675	19,720,038	330,000
Total assets	15,098,472	10,361,456	25,459,928	330,000
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding	72,126	-	72,126	-
Deferred resource outflow for TMRS	134,339	23,707	158,046	-
Total deferred outflows of resources	206,465	23,707	230,172	-
LIABILITIES				
Current liabilities:				
Accounts payable	523,531	228,379	751,910	-
Accrued liabilities	18,605	6,191	24,796	-
Due to other funds	722,306	6,455	728,761	-
Compensated absences payable	15,019	-	15,019	-
Current liabilities payable from restricted assets:				
Interest payable	62,811	10,293	73,104	-
Capital leases payable	55,756	-	55,756	-
Revenue bonds payable	585,000	270,000	855,000	-
Customer deposits payable	119,991	-	119,991	-
Total current liabilities	2,103,019	521,318	2,624,337	-
Noncurrent liabilities:				
Compensated absences payable	60,075	-	60,075	-
Net pension obligation	409,173	72,197	481,370	-
Revenue bonds payable	5,445,153	5,923,013	11,368,166	-
Total noncurrent liabilities	5,914,401	5,995,210	11,909,611	-
Total liabilities	8,017,420	6,516,528	14,533,948	-
DEFERRED INFLOWS OF RESOURCES				
Deferred resource inflow for TMRS	71,010	12,531	83,541	-
Total deferred outflows of resources	71,010	12,531	83,541	-
NET POSITION				
Net investment in capital assets	6,213,337	2,574,679	8,788,016	330,000
Unrestricted	1,003,170	1,281,425	2,284,595	-
Total net position	$ 7,216,507	$ 3,856,104	$ 11,072,611	$ 330,000

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, 2015

	Business-type Activities - Enterprise Funds			Governmental Activities-
	Water and Sewer	Drainage Utility	Totals	Internal Service
OPERATING REVENUES				
Charges for services	$ 3,832,559	$ 865,687	$ 4,698,246	$ -
Miscellaneous	10,397	-	10,397	-
Total operating revenues	3,842,956	865,687	4,708,643	-
OPERATING EXPENSES				
Personnel services	960,446	146,857	1,107,303	-
Contractual services	135,401	6,228	141,629	-
Repairs and maintenance	218,710	65,649	284,359	-
Other supplies and expenses	1,717,708	43,444	1,761,152	-
Depreciation	448,316	75,817	524,133	-
Total operating expenses	3,480,581	337,995	3,818,576	-
OPERATING INCOME	362,375	527,692	890,067	-
NONOPERATING REVENUES AND EXPENSES				
Interest and investment income	1,398	144	1,542	-
Interest expense and fiscal charges	(321,019)	(61,219)	(382,238)	-
Total nonoperating revenues and expenses	(319,621)	(61,075)	(380,696)	-
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	42,754	466,617	509,371	-
Transfers in	108,514	-	108,514	-
Transfers out	(202,137)	(320,362)	(522,499)	-
CHANGE IN NET POSITION	(50,869)	146,255	95,386	-
NET POSITION, BEGINNING	7,601,831	3,774,988	11,376,819	-
PRIOR PERIOD ADJUSTMENT	(334,455)	(65,139)	(399,594)	-
NET POSITION, ENDING	7,267,376	3,709,849	10,977,225	330,000
NET POSITION, ENDING	$ 7,216,507	$ 3,856,104	$ 11,072,611	$ 330,000

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, 2015

	Business-type Activities - Enterprise Funds			Governmental Activities-
	Water and Sewer	Drainage Utility	Totals	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	$ 4,007,548	$ 1,030,014	$ 5,037,562	$ -
Cash paid to suppliers for goods and services	(2,049,253)	-	(2,049,253)	5,313
Cash paid to employees for services	(953,700)	(147,998)	(1,101,698)	-
Net cash provided by operating activities	1,004,595	882,016	1,886,611	5,313
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash received from other funds	407,369	239,285	646,654	-
Cash paid to other funds	(413,028)	(703)	(413,731)	(5,313)
Transfers from other funds	108,514	-	108,514	-
Transfers to other funds	(202,137)	(320,362)	(522,499)	-
Net cash provided (used) by noncapital financing activities	(99,282)	(321,065)	(420,347)	(5,313)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal repayments on debt	(623,355)	(210,000)	(833,355)	-
Proceeds from issuance of long-term debt	-	1,030,000	1,030,000	-
Interest and fiscal charges on debt	(321,206)	(75,088)	(396,294)	-
Proceeds from the disposition of capital assets	-	-	-	330,000
Acquisition of capital assets	(1,705,588)	(1,971,157)	(3,676,745)	(330,000)
Net cash flows used by capital and related financing activities	(2,650,149)	(1,226,245)	(3,876,394)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Earnings on investments	1,398	144	1,542	-
Net cash provided by investing activities	1,398	144	1,542	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,743,438)	(665,150)	(2,408,588)	-
CASH AND CASH EQUIVALENTS, BEGINNING	4,405,056	2,749,755	7,154,811	-
CASH AND CASH EQUIVALENTS, ENDING	2,661,618	2,084,605	4,746,223	-
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION				
Cash and cash equivalents	1,878,735	1,520,588	3,399,323	-
Restricted cash	782,883	564,017	1,346,900	-
Total cash and cash equivalents	$ 2,661,618	$ 2,084,605	$ 4,746,223	$ -

CITY OF RICHLAND HILLS, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS
(Continued)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	Water and Sewer	Drainage Utility	Totals	Governmental Activities- Internal Service
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	$ 362,375	$ 527,692	$ 890,067	$ -
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation and amortization expense	448,316	75,817	524,133	-
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable	(165,882)	-	(165,882)	-
Decrease (increase) in deferred outflows	(124,036)	(23,707)	(147,743)	
Increase (decrease) in accounts payable	88,273	225,106	313,379	5,313
Increase (decrease) in accrued liabilities	6,746	(1,141)	5,605	-
Increase (decrease) in compensated absences	(18,710)	-	(18,710)	-
Increase (decrease) in deferred inflows	71,010	12,531	83,541	
Increase in customer deposits	(1,290)	-	(1,290)	-
Increase in net pension liability	337,793	65,718	403,511	-
Net cash provided by operating activities	$ 1,004,595	$ 882,016	$ 1,886,611	$ 5,313

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

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CITY OF RICHLAND HILLS, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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 funds:

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 ***Crime Control District Special Revenue Fund*** 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

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. Cash, Cash Equivalents 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 unavailable revenue and are recognized when they become available. Taxes collected prior to the levy date to which they apply are recorded as unavailable 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. Additionally, pension contributions are deferred and recognized in the following fiscal year. The difference in projected and actual earnings on pension assets is deferred and amortized over a closed five year period.

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 two types of items classified as deferred inflows of resources. One of 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. The governmental funds report unavailable revenues from four sources that require deferral: property taxes, municipal court fines, EMS fines and franchise taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is only recorded in the full accrual basis of accounting and results from the difference between expected and actual pension expense. This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

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.

12. ***Prior Period Adjustment – Change in Accounting Principles***

As the result of implementing GASB Statement 68, the City has decreased beginning net position as of October 1, 2014, by $1,613,988 and $399,594 for the governmental activities and business-type activities respectively. This decrease results from the recognition of the City's portion of the TMRS pension expense.

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 $(2,618,483) difference are as follows:

Certificates of obligation	$(1,321,950)
Accrued interest payable	2,996
Compensated absences	29,589
Net pension liabilities	(1,329,118)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$(2,618,483)

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 $878,814 difference are as follows:

Property taxes receivable	$ 123,914
Court fines receivable	432,445
Franchise taxes receivable	268,382
Ambulance receivable	54,073
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$ 878,814

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 $(16,215) difference are as follows:

Capital outlay	$ 747,587
Depreciation expense	(763,802)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$(16,215)

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 $(24,364) difference are as follows:

Property taxes	$ 18,228
Court fines receivable	(52,964)
Franchise taxes receivable	8,623
Other receivables	1,749
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$(24,364)

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 $330,000 difference are as follows:

Principal repayments	$ 330,000
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$ 330,000

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

At September 30, 2015, 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 $175,143, 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, 2015, the City had the following investments:

Investment	Credit Rating	Weighted Average Maturities	Percentage of Total Investments	Cost	Fair Value
TexPool	AAAm	78 days	100.00%	$ 3,619	$ 3,619
				$ 3,619	$ 3,619

Reconciliation to financial statements

Investments from Statement of Net Position	$ 341,272
Less: Certificates of deposit	337,653
	$ 3,619

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, 2015, the City's $8,567,296 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	$ 37,475
2007 Revenue Bonds Construction	
Cash	374
2007 Revenue Bonds I&S	
Cash	357
2010 Revenue Bonds Construction	
Cash	555,958
2010 Revenue Bonds I&S	
Cash	8,059
2013 Revenue Bonds I&S	
Cash	744,677
Total current restricted assets	$ 1,346,900

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 2015 fiscal year (2014 tax year), resulting in an adjusted tax levy of approximately $2.3 million based on an assessed property valuation of approximately $445.2 million were as follows:

	Tax Rate per $100 of Assessed Value
General fund	$ 0.469092
Debt service fund	0.059002
Total tax rate	$ 0.528094

D. Receivables

Amounts recorded as receivable as of September 30, 2015, for the City's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	General	Crime Control District	Water and Sewer	Nonmajor Governmental	Total
Receivables:					
Taxes	$ 888,763	$ 171,143	$ -	$ 98,350	$ 1,158,256
Intergovernmental	18,363	-	-	187,085	205,448
Fines	1,441,484	-	-	-	1,441,484
Accounts	-	-	1,390,423	43,002	1,433,425
Ambulance	2,703,623	-	-	-	2,703,623
Gross receivables	5,052,233	171,143	1,390,423	328,437	6,942,236
Less: allowance for uncollectibles	3,709,246	-	671,603	6,972	4,387,821
Net total receivables	$ 1,342,987	$ 171,143	$ 718,820	$ 321,465	$ 2,554,415

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, 2015, is as follows:

Receivable Fund	Payable Fund	Amount
General	Other governmental	$ 393,178
	Water and sewer	649,280
	Drainage	3,973
Crime Control District	General	768
Other governmental funds	General	149,459
	Other Governmental	41,111
Total governmental funds		$ 1,237,769
Water and sewer	Drainage Utility	$ 2,482
Drainage Utility	Water and sewer	73,026
Total enterprise funds		$ 75,508

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.

The composition of interfund transfers for the City's individual major funds and nonmajor funds at September 30, 2015, is as follows:

Transfers in	Transfers out	Amount	Purpose
General	Crime Control District	$ 33,667	Operating Transfer
	Other governmental funds	124,883	Operating Transfer
	Water and sewer	202,137	Operating Transfer
	Drainage utility	211,848	Operating Transfer
Other governmental funds	Other governmental funds	133,025	Debt Services/Operating Transfer
Water and sewer	Drainage utility	108,514	Operating Transfer

F. Capital Assets

Capital asset activity for the year ended September 30, 2015, was as follows:

Governmental activities	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Capital assets, not being depreciated:					
Land	$ 714,170	$ 116,244	$ -	$ -	$ 830,414
Construction in progress	369,132	425,773	-	-	794,905
Total capital assets not being depreciate	1,083,302	542,017	-	-	1,625,319
Capital assets, being depreciated:					
Improvements other than buildings	1,217,459	30,075	(19,276)	-	1,228,258
Buildings	2,530,292	-	-	-	2,530,292
Machinery and equipment	4,010,133	175,495	-	-	4,185,628
Streets	22,650,248	-	-	-	22,650,248
Total capital assets, being depreciated	30,408,132	205,570	(19,276)	-	30,594,426
Less: accumulated depreciated for:					
Improvements other than buildings	(936,933)	(40,076)	19,276	-	(957,733)
Buildings	(1,312,839)	(76,358)	-	-	(1,389,197)
Machinery and equipment	(3,118,800)	(216,279)	-	-	(3,335,079)
Streets	(14,934,866)	(431,089)	-	-	(15,365,955)
Total capital assets being depreciated	(20,303,438)	(763,802)	19,276	-	(21,047,964)
Total capital assets being depreciated, net	10,104,694	(558,232)	-	-	9,546,462
Total governmental activities, net	$ 11,187,996	$(16,215)	$ -	$ -	$ 11,171,781

Business-type activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 256,267	$ -	$ -	$ 256,267
Construction in progress	3,565,429	3,658,132	-	7,223,561
Total capital assets not being depreciated	3,821,696	3,658,132	-	7,479,828
Capital assets, being depreciated:				
Improvements other than buildings	2,892,872	-	-	2,892,872
Buildings	174,022	-	-	174,022
Water and sewer systems	16,728,487	275,322	-	17,003,809
Machinery and equipment	1,215,285	21,761	(35,504)	1,201,542
Total capital assets, being depreciated	21,010,666	297,083	(35,504)	21,272,245
Less: accumulated depreciated for:				
Improvements other than buildings	(324,920)	(75,352)	-	(400,272)
Buildings	(169,483)	(632)	-	(170,115)
Water and sewer systems	(6,938,713)	(410,738)	-	(7,349,451)
Machinery and equipment	(1,110,291)	(37,410)	35,504	(1,112,197)
Total capital assets being depreciated	(8,543,407)	(524,132)	35,504	(9,032,035)
Total capital assets being depreciated, net	12,467,259	(227,049)	-	12,240,210
Total business-type activities, net	$ 16,288,955	$ 3,431,083	$ -	$ 19,720,038

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

Governmental activities:	
General government	$ 29,221
Public safety	241,746
Public works	443,198
Culture and recreation	43,880
Parks and beautification	5,757
Total depreciation expense- governmental activities	$ 763,802
Business-type activities:	
Water/sewer	$ 448,316
Drainage utility	75,816
Total depreciation expense - business-type activities	$ 524,132

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, 2015 is $130,000.

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, 2015, is $290,000.

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, 2015, is $103,000.

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, 2015, is $198,000.

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, 2015, is $1,445,000.

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, 2015, is $2,275,000.

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, 2015, is $1,630,000.

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, 2015, is $5,370,000.

Combination Tax and Water and Sewer Revenue Certificates of Obligation, Series 2015

Certificates of Obligation dated April 21, 2015, were issued for paying all or a portion of the City's contractual obligations incurred in connection with (i) construction of drainage improvements throughout the City; and (ii) legal, fiscal, design and engineering fees in connection with such projects. On August 15, 2016, or on any August 15 thereafter, the certificates of this series having stated maturities on and after August 15, 2016, 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. The interest rate is 2.56% per annum. 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, 2015, is $1,030,000.

Future Requirements

The annual requirements to amortize all certificates of obligation, tax notes, contractual obligations and revenue bonds outstanding as of September 30, 2015, are as follows:

Fiscal Year Ending	Governmental Activities		Business-type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	$ 346,000	$ 19,272	$ 855,000	$ 421,652	$ 1,201,000	$ 440,924
2017	78,000	9,754	895,000	387,907	973,000	397,661
2018	80,000	8,224	920,000	359,296	1,000,000	367,520
2019	82,000	6,694	640,000	329,460	722,000	336,154
2020	45,000	5,164	670,000	305,699	715,000	310,863
2021-2025	90,000	5,164	3,355,000	1,155,956	3,445,000	1,161,120
2026-2030	-	-	3,265,000	578,486	3,265,000	578,486
2031-2033	-	-	1,150,000	93,200	1,150,000	93,200
Totals	$ 721,000	$ 54,272	$ 11,750,000	$ 3,631,656	$ 12,471,000	$ 3,685,928

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2015.

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Certificates of obligation	$ 250,000	$ -	$ 120,000	$ 130,000	$ 130,000
Contractual obligation bonds	801,000	-	210,000	591,000	216,000
Compensated absences	299,347	258,134	287,724	269,757	53,952
Net pension liability	295,826	1,627,158	-	1,922,984	-
Total governmental activities	1,646,173	1,885,292	617,724	2,913,741	399,952
Business-type activities:					
Combination tax and revenue certificates	11,500,000	1,030,000	780,000	11,750,000	855,000
Premiums on long-term debt	505,317	-	32,151	473,166	-
Capital lease payable	109,110	-	53,354	55,756	55,756
Compensated absences	93,804	40,115	58,825	75,094	15,019
Net pension liability	77,860	403,510	-	481,370	-
Total business-type activities	12,286,091	1,473,625	924,330	12,835,386	925,775
	$ 13,932,264	$ 3,358,917	$ 1,542,054	$ 15,749,127	$ 1,325,727

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, 2015, 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
2016	$ 58,265
Total debt service requirements	58,265
Less: interest portion	2,509
Debt principal	$ 55,756

I. Fund Balance

As of September 30, 2015, governmental fund balance is composed of the following:

Fund Balance Classification	General	Crime Control District	Other Governmental	Totals
Restricted:				
Retirement of long-term debt	$ -	$ -	$ 160,078	$ 160,078
Capital acquisition and construction	-	-	402,534	402,534
Tourism activities	-	-	127,035	127,035
Economic development	-	-	392,016	392,016
Crime control district	-	397,693	-	397,693
Red Light Camera Enforce	-	-	34,312	34,312
Assigned:				
Capital acquisition and construction	-	-	23,425	23,425
Unassigned	3,031,436	-	(216,619)	2,814,817
Total governmental fund balance	$ 3,031,436	$ 397,693	$ 922,781	$ 4,351,910

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, 2015, 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, 2015, 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. Defined Benefit Pension Policies

Plan Descriptions. The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agency multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at *www.tmrs.org*.

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

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

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

Employees covered by benefit terms

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	76
Inactive employees entitled to but not yet receiving benefits	102
Active employees	73
	251

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 17.91% and 18.03% in calendar years 2014 and 2015, respectively. The city's contributions to TMRS for the year ended September 30, 2015, were $722,326, and were equal to the required contributions.

Net Pension Liability. The city's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

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

Actuarial assumptions used in the December 31, 2014 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering the 2009 through 2011, and the dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statue. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2013	$ 26,883,097	$ 23,965,147	$ 2,917,950
Changes for the year:			
Service cost	687,735	-	687,735
Interest	1,871,624	-	1,871,624
Change of benefit terms	-	-	-
Difference between expected and actual experience	(712,052)	-	(712,052)
Changes of assumptions	-	-	-
Contributions - employer	-	721,134	(721,134)
Contributions - employee	-	284,230	(284,230)
Net investment income	-	1,371,030	(1,371,030)
Benefit payments, including refunds of employee contributions	(978,956)	(978,956)	-
Administrative expense	-	(14,314)	14,314
Other changes	-	(1,177)	1,177
Net changes	868,351	1,381,947	(513,596)
Balance at 12/31/2014	$ 27,751,448	$ 25,347,094	$ 2,404,354

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) of 1-percentage-higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's net pension liability	$ 6,282,237	$ 2,404,354	$(772,971)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. The report may be obtained on the Internet at *www.tmrs.org.*

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended September 30, 2015, the City recognized pension expense of $722,326.

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 417,706
Changes in actuarial assumptions	127,286	-
Difference between projected and actual investment earnings	245,259	-
Contributions subsequent to the measurement date	417,705	-
Total	$ 790,250	$ 417,706

$417,705 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year ended Dec 31	
2015	$(233,031)
2016	(62,045)
2017	(61,315)
2018	(61,314)

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 2015, 2014 and 2013 were $12,084, $12,260, and $9,151, 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
2015	0.03%	0.03%	100%
2014	0.04%	0.04%	100%
2013	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 2015 for the treatment of wastewater by the City of Fort Worth were $441,625.

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 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 2015 for the purchase of treated water from the City of Fort Worth were $592,800.

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 2015 from the City of Hurst were $119,466.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF RICHLAND HILLS, TEXAS

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

GENERAL FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			Variance With Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Taxes:				
General property	$ 2,183,955	$ 2,183,955	$ 2,136,282	$(47,673)
Sales and use	2,095,237	2,095,237	2,685,322	590,085
Franchise	497,720	497,720	590,583	92,863
Fines and fees	422,978	422,978	458,374	35,396
Licenses and permits	115,151	115,151	131,148	15,997
Charges for services	268,905	268,905	260,172	(8,733)
Intergovernmental	160,549	160,549	209,487	48,938
Interest income	1,128	1,128	567	(561)
Miscellaneous	65,200	65,200	57,129	(8,071)
Total revenues	5,810,823	5,810,823	6,529,064	718,241
EXPENDITURES				
Current:				
General government	1,285,396	1,285,396	1,181,854	103,542
Public safety	3,824,696	3,824,696	3,682,177	142,519
Public works	234,870	234,870	249,589	(14,719)
Culture and recreation	395,456	395,456	378,425	17,031
Parks and beautification	83,400	83,400	81,620	1,780
Community development	466,970	466,970	416,886	50,084
Capital outlay	220,500	220,500	56,802	163,698
Debt service:				
Principal	75,000	75,000	75,000	-
Interest and fiscal charges	4,754	4,754	4,538	216
Total expenditures	6,591,042	6,591,042	6,126,891	464,151
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(780,219)	(780,219)	402,173	1,182,392
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of general capital assets	2,000	2,000	6,452	4,452
Transfers in	577,535	577,535	572,535	(5,000)
Total other financing sources (uses)	579,535	579,535	578,987	(548)
NET CHANGE IN FUND BALANCE	(200,684)	(200,684)	981,160	1,181,844
FUND BALANCE, BEGINNING	2,050,276	2,050,276	2,050,276	-
FUND BALANCE, ENDING	$ 1,849,592	$ 1,849,592	$ 3,031,436	$ 1,181,844

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, 2015

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Sales and use tax	$ 737,723	$ 737,723	$ 1,003,104	$ 265,381
Interest	160	160	99	(61)
Total revenues	737,883	737,883	1,003,203	265,320
EXPENDITURES				
Current:				
Public safety	831,871	831,871	791,907	39,964
Capital outlay	125,055	125,055	123,941	1,114
Total expenditures	956,926	956,926	915,848	41,078
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(219,043)	(219,043)	87,355	306,398
OTHER FINANCING SOURCES (USES)				
Transfers out	(33,667)	(33,667)	(33,667)	-
Total other financing sources (uses)	(33,667)	(33,667)	(33,667)	-
NET CHANGE IN FUND BALANCE	(252,710)	(252,710)	53,688	306,398
FUND BALANCE, BEGINNING	344,005	344,005	344,005	-
FUND BALANCE, ENDING	$ 91,295	$ 91,295	$ 397,693	$ 306,398

CITY OF RICHLAND HILLS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Plan Year	2014
A. Total pension liability	
Service Cost	$ 687,735
Interest (on the Total Pension Liability)	1,871,624
Actuarial determined contribution	-
Difference between expected and actual experience	(712,052)
Contributions in relation to the actuarially determined contribution	-
Benefit payments, including refunds of employee contributions	(978,956)
Net change in total pension liability	868,351
Total pension liability - beginning	26,883,097
Total pension liability - ending (a)	$ 27,751,447
B. Plan fiduciary net position	
Contributions - Employer	$ 721,134
Contributions - Employee	284,230
Net Investment Income	1,371,030
Benefit payments, including refunds of employee contributions	(978,956)
Administrative Expenses	(14,314)
Other	(1,177)
Net change in plan fiduciary net position	1,381,947
Plan fiduciary net position - beginning	23,965,772
Plan fiduciary net position - ending (b)	$ 25,347,719
C. Net pension liability - ending (a) - (b)	$ 2,403,729
D. Plan fiduciary net position as a percentage of total pension liability	91.34%
E. Covered employee payroll	$ 4,060,434
F. Net position liability as a percentage of covered employee payroll	59.20%

CITY OF RICHLAND HILLS, TEXAS

SCHEDULE OF CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Fiscal Year	2014	2015
Actuarial determined contribution	$ 701,213	$ 722,326
Contributions in relation to the actuarially determined contribution	701,213	722,326
Contribution deficiency (excess)	-	-
Covered employee payroll	4,013,063	4,145,235
Contributions as a percentage of covered employee payroll	17.47%	17.43%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes — Actuarially determined contribution rates are calculated as of December 31 and become

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.00%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates

Other Information:

Notes — There were no benefit changes during the year.

CITY OF RICHLAND HILLS, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2015

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.

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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 PPFCO 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, 2015

	Special Revenues			
	Richland Hills Development Corporation	Red Light Camera Enforce	Hotel Occupancy Tax	Total Special Revenue Funds
ASSETS				
Cash	$ 331,222	$ -	$ 164,933	$ 496,155
Receivables (net of allowances for uncollectibles):				
Taxes	57,759	-	17,353	75,112
Accounts	-	34,651	-	34,651
Intergovernmental	-	-	-	-
Due from other funds	47,744	90,747	-	138,491
Total assets	436,725	125,398	182,286	744,409
LIABILITIES				
Liabilities:				
Accounts payable	44,385	91,086	51,324	186,795
Due to other funds	324	-	3,927	4,251
Total liabilities	44,709	91,086	55,251	191,046
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - propery taxes	-	-	-	-
Total deferred inflows of resources	-	-	-	-
FUND BALANCES				
Restricted	392,016	34,312	127,035	553,363
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	$ 392,016	$ 34,312	$ 127,035	$ 553,363

	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
150,098	$ 157,911	$ 291,385	$ -	$ 24,760	$ -	$ -	$ 474,056	$ 1,120,309
16,266	-	-	-	-	-	-	-	91,378
-	-	8,351	-	-	-	-	8,351	43,002
-	-	-	23,425	-	38,440	125,220	187,085	187,085
14,808	-	37,271	-	-	-	-	37,271	190,570
181,172	157,911	337,007	23,425	24,760	38,440	125,220	706,763	1,632,344
-	5,650	44,407	-	-	-	22,156	72,213	259,008
4,828	29,730	37,357	-	-	79,916	278,207	425,210	434,289
4,828	35,380	81,764	-	-	79,916	300,363	497,423	693,297
16,266	-	-	-	-	-	-	-	16,266
16,266	-	-	-	-	-	-	-	16,266
160,078	122,531	255,243	-	24,760	-	-	402,534	1,115,975
-	-	-	23,425	-	-		23,425	23,425
-	-	-	-	-	(41,476)	(175,143)	(216,619)	(216,619)
$ 160,078	$ 122,531	$ 255,243	$ 23,425	$ 24,760	$(41,476)	$(175,143)	$ 209,340	$ 922,781

CITY OF RICHLAND HILLS, TEXAS

NONMAJOR FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	Special Revenues			
	Richland Hills Development Corporation	Red Light Camera Enforce	Hotel Occupancy Tax	Total Special Revenue Funds
REVENUES				
Property taxes	$ -	$ -	$ -	$ -
Sales and use taxes	335,389	-	-	335,389
Hotel occupancy tax	-	-	210,250	210,250
Fines and fees	-	317,147	-	317,147
Intergovernmental	-	-	-	-
Interest	105	-	68	173
Other	-	-	-	-
Total revenues	335,494	317,147	210,318	862,959
EXPENDITURES				
Current:				
Public safety	-	315,858	-	315,858
Public works	-	-	-	-
Community development	129,401	-	223,059	352,460
Capital outlay	-	34,914	-	34,914
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	129,401	350,772	223,059	703,232
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	206,093	(33,625)	(12,741)	159,727
OTHER FINANCING SOURCES (USES)				
Transfers in	960	-	-	960
Transfers out	(185,565)	(22,800)	(49,543)	(257,908)
Total other financing sources (uses)	(184,605)	(22,800)	(49,543)	(256,948)
NET CHANGE IN FUND BALANCES	21,488	(56,425)	(62,284)	(97,221)
FUND BALANCES, BEGINNING	370,528	90,737	189,319	650,584
FUND BALANCES, ENDING	$ 392,016	$ 34,312	$ 127,035	$ 553,363

	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
$ 170,442	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 170,442
-	-	-	-	-	-	-	-	335,389
-	-	-	-	-	-	-	-	210,250
-	-	-	-	-	-	-	-	317,147
-	133,480	-	-	-	-	142,519	275,999	275,999
43	51	145	-	-	-	-	196	412
-	-	88,565	-	-	-	-	88,565	88,565
170,485	133,531	88,710	-	-	-	142,519	364,760	1,398,204
-	-	-	-	-	-	-	-	315,858
-	241	3,019	-	-	-	-	3,260	3,260
-	-	-	-	-	-	-	-	352,460
-	53,064	340,973	-	-	-	286,049	680,086	715,000
255,000	-	-	-	-	-	-	-	255,000
31,866	-	-	-	-	-	-	-	31,866
286,866	53,305	343,992	-	-	-	286,049	736,651	1,726,749
(116,381)	80,226	(255,282)	-	-	-	(143,530)	(318,586)	(275,240)
132,065	-	-	-	-	-	-	-	133,025
-	-	-	-	-	-	-	-	(257,908)
132,065	-	-	-	-	-	-	-	(124,883)
15,684	80,226	(255,282)	-	-	-	(143,530)	(318,586)	(400,123)
144,394	42,305	510,525	23,425	24,760	(41,476)	(31,613)	527,926	1,322,904
$ 160,078	$ 122,531	$ 255,243	$ 23,425	$ 24,760	$(41,476)	$(175,143)	$ 209,340	$ 922,781

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SPECIAL REVENUE FUNDS

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CITY OF RICHLAND HILLS, TEXAS

RICHLAND HILLS DEVELOPMENT CORPORATION

SPECIAL REVENUE FUND

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Sales and use tax	$ 252,444	$ 252,444	$ 335,389	$ 82,945
Interest income	190	190	105	(85)
Total revenues	252,634	252,634	335,494	82,860
EXPENDITURES				
Current:				
Community development	99,913	99,913	129,401	(29,488)
Total expenditures	99,913	99,913	129,401	(29,488)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	152,721	152,721	206,093	53,372
OTHER FINANCING SOURCES AND (USES)				
Transfers in	-	-	959	959
Transfers out	(185,564)	(185,564)	(185,564)	-
Total other financing sources and uses	(185,564)	(185,564)	(184,605)	959
NET CHANGE IN FUND BALANCE	(32,843)	(32,843)	21,488	54,331
FUND BALANCE, BEGINNING	370,528	370,528	370,528	-
FUND BALANCE, ENDING	$ 337,685	$ 337,685	$ 392,016	$ 54,331

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, 2015

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Fines and fees	$ 456,000	$ 456,000	$ 317,147	$(138,853)
Total revenues	456,000	456,000	317,147	(138,853)
EXPENDITURES				
Current:				
Public safety	395,772	395,772	315,858	79,914
Capital outlay	38,000	38,000	34,914	3,086
Total expenditures	433,772	433,772	350,772	83,000
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	22,228	22,228	(33,625)	(55,853)
OTHER FINANCING SOURCES (USES)				
Transfers out	(22,800)	(22,800)	(22,800)	-
Total other financing sources (uses)	(22,800)	(22,800)	(22,800)	-
NET CHANGE IN FUND BALANCE	(572)	(572)	(56,425)	(55,853)
FUND BALANCE, BEGINNING	90,737	90,737	90,737	-
FUND BALANCE, ENDING	$ 90,165	$ 90,165	$ 34,312	$(55,853)

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, 2015

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Hotel occupancy tax	$ 194,331	$ 194,331	$ 210,250	$ 15,919
Interest income	60	60	68	8
Total revenues	194,391	194,391	210,318	15,927
EXPENDITURES				
Current:				
Community development	186,143	186,143	223,059	(36,916)
Total expenditures	186,143	186,143	223,059	(36,916)
EXCESS (DEFICIENCIES OVER (UNDER) EXPENDITURES	8,248	8,248	(12,741)	(20,989)
OTHER FINANCING SOURCES (USES)				
Transfers out	(49,543)	(49,543)	(49,543)	-
Total other financing sources (uses)	(49,543)	(49,543)	(49,543)	-
NET CHANGE IN FUND BALANCE	(41,295)	(41,295)	(62,284)	(20,989)
FUND BALANCE, BEGINNING	189,319	189,319	189,319	-
FUND BALANCE, ENDING	$ 148,024	$ 148,024	$ 127,035	$(20,989)

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DEBT SERVICE FUNDS

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CITY OF RICHLAND HILLS, TEXAS

DEBT SERVICE FUND

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Property taxes	$ 157,050	$ 157,050	$ 170,442	$ 13,392
Interest income	51	51	43	(8)
Total revenues	157,101	157,101	170,485	13,384
EXPENDITURES				
Debt service:				
Principal	255,000	255,000	255,000	-
Interest and fiscal charges	32,019	32,019	31,866	153
Total expenditures	287,019	287,019	286,866	153
EXCESS (DEFICIENCIES OVER (UNDER) EXPENDITURES	(129,918)	(129,918)	(116,381)	13,537
OTHER FINANCING SOURCES (USES)				
Transfers in	132,152	132,152	132,065	(87)
Total other financing sources (uses)	132,152	132,152	132,065	(87)
NET CHANGE IN FUND BALANCE	2,234	2,234	15,684	13,450
FUND BALANCE, BEGINNING	144,394	144,394	144,394	-
FUND BALANCE, ENDING	$ 146,628	$ 146,628	$ 160,078	$ 13,450

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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, 2015

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Intergovernmental	$ 133,480	$ 133,480	$ 133,480	$ -
Interest	25	25	51	26
Total revenues	133,505	133,505	133,531	26
EXPENDITURES				
Capital outlay	133,255	133,255	53,064	80,191
Total expenditures	133,255	133,255	53,305	79,950
EXCESS (DEFICIENCIES OVER (UNDER) EXPENDITURES	250	250	80,226	79,976
FUND BALANCE, BEGINNING	42,305	42,305	42,305	-
FUND BALANCE, ENDING	$ 42,555	$ 42,555	$ 122,531	$ 79,976

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, 2015

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Interest	$ -	$ -	$ 145	$ 145
Other	239,864	239,864	88,565	(151,299)
Total revenues	239,864	239,864	88,710	(151,154)
EXPENDITURES				
Public works	-	-	3,019	(3,019)
Capital outlay	300,000	300,000	340,973	(40,973)
Total expenditures	300,000	300,000	343,992	(43,992)
NET CHANGE IN FUND BALANCE	(60,136)	(60,136)	(255,282)	(195,146)
FUND BALANCE, BEGINNING	510,525	510,525	510,525	-
FUND BALANCE, ENDING	$ 450,389	$ 450,389	$ 255,243	$(195,146)

CITY OF RICHLAND HILLS, TEXAS

GREEN RIBBON PROJECT

CAPITAL PROJECTS FUND

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Intergovernmental	$ -	$ -	$ 142,519	$ 142,519
Total revenues	-	-	142,519	142,519
EXPENDITURES				
Capital outlay	280,000	280,000	286,049	(6,049)
Total expenditures	280,000	280,000	286,049	(6,049)
NET CHANGE IN FUND BALANCE	(280,000)	(280,000)	(143,530)	136,470
FUND BALANCE, BEGINNING	(31,613)	(31,613)	(31,613)	-
FUND BALANCE, ENDING	$(311,613)	$(311,613)	$(175,143)	$ 136,470

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.

	Page Number
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance has changed over time.	71 – 79
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.	80 – 85
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.	86 – 92
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.	93 – 94
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.	95 – 97

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

CITY OF RICHLAND HILLS, TEXAS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

	Fiscal Year		
	2006	2007	2008
Governmental activities:			
Invested in capital assets, net of related debt	$ 9,609,930	$ 8,973,364	$ 8,565,062
Restricted	56,693	384,137	412,610
Unrestricted	4,303,817	4,765,358	4,888,559
Total governmental activities net position	$ 13,970,440	$ 14,122,859	$ 13,866,231
Business-type activities:			
Invested in capital assets, net of related debt	$ 5,599,182	$ 5,705,248	$ 5,945,512
Restricted	955,912	1,026,423	1,011,985
Unrestricted	1,092,985	413,272	(212,675)
Total business-type activities net position	$ 7,648,079	$ 7,144,943	$ 6,744,822
Primary government:			
Net investment in capital assets	$ 15,209,112	$ 14,678,612	$ 14,510,574
Restricted	1,012,605	1,410,560	1,424,595
Unrestricted	5,396,802	5,178,630	4,675,884
Total primary government net position	$ 21,618,519	$ 21,267,802	$ 20,611,053

TABLE 1

Fiscal Year						
2009	2010	2011	2012	2013	2014	2015
$ 8,108,808	$ 8,215,829	$ 7,815,576	$ 7,603,080	$ 9,777,284	$ 10,136,996	$ 10,450,781
439,715	375,753	1,542,536	1,811,780	1,245,956	1,069,428	1,127,400
5,273,862	4,153,765	2,564,977	2,359,827	2,240,995	3,410,142	2,205,841
$ 13,822,385	$ 12,745,347	$ 11,923,089	$ 11,774,687	$ 13,264,235	$ 14,616,566	$ 13,784,022
$ 6,093,323	$ 6,194,852	$ 7,255,716	$ 6,893,293	$ 7,096,222	$ 6,254,783	$ 8,788,016
1,039,337	1,212,169	-	-	-	-	-
18,269	(290,156)	1,170,660	2,745,136	3,811,452	2,770,715	2,284,595
$ 7,150,929	$ 7,116,865	$ 8,426,376	$ 9,638,429	$ 10,907,674	$ 9,025,498	$ 11,072,611
$ 14,202,131	$ 14,410,681	$ 15,071,292	$ 14,496,373	$ 16,873,506	$ 16,391,779	$ 19,238,797
1,479,052	1,587,922	1,542,536	1,811,780	1,245,956	1,069,428	1,127,400
5,292,131	3,863,609	3,735,637	5,104,963	6,052,447	6,180,857	4,490,436
$ 20,973,314	$ 19,862,212	$ 20,349,465	$ 21,413,116	$ 24,171,909	$ 23,642,064	$ 24,856,633

CITY OF RICHLAND HILLS, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	Fiscal Year		
	2006	2007	2008
EXPENSES			
Governmental activities:			
General government	$ 442,659	$ 431,748	$ 381,991
Public safety	3,719,164	4,179,157	4,548,288
Public works	1,147,289	1,203,362	1,277,037
Culture and recreation	295,554	302,913	329,331
Parks and beautification	39,120	40,783	43,290
Community development	70,075	100,409	83,792
Interest on long-term debt	83,135	92,682	91,450
Total governmental activities expenses	5,796,996	6,351,054	6,755,179
Business-type activities:			
Water and sewer	3,139,909	3,472,363	3,519,155
Drainage utility	88,518	118,124	250,726
Total business-type activities expenses	3,228,427	3,590,487	3,769,881
Total primary government program expenses	$ 9,025,423	$ 9,941,541	$ 10,525,060
PROGRAM REVENUES			
Governmental activities:			
Charges for services:			
General government	$ 314,430	$ 266,339	$ 257,878
Public safety	595,129	1,271,650	804,512
Public works	-	-	-
Community development	-	-	-
Operating grants and contributions	183,081	152,616	179,182
Capital grants and contributions	61,929	130,204	97,423
Total governmental activities program revenues	1,154,569	1,820,809	1,338,995
Business-type activities:			
Charges for services:			
Water and sewer	3,088,235	2,712,339	3,133,427
Drainage utility	152,743	155,034	177,406
Capital grants and contributions	134,492	-	-
Total business-type activities program revenues	3,375,470	2,867,373	3,310,833
Total primary government program revenues	$ 4,530,039	$ 4,688,182	$ 4,649,828

TABLE 2

Fiscal Year						
2009	2010	2011	2012	2013	2014	2015
$ 396,736	$ 409,627	$ 452,544	$ 628,950	$ 654,916	$ 1,241,332	$ 1,182,618
4,727,024	5,269,229	5,032,257	4,903,622	4,977,046	5,023,432	4,898,102
1,445,582	1,339,330	1,151,899	1,211,553	716,031	641,584	695,387
317,101	364,142	453,741	389,982	435,470	422,537	413,433
46,457	26,670	21,182	34,013	15,628	88,408	74,723
135,632	126,422	612,100	614,100	757,894	769,346	787,272
82,847	74,760	56,979	79,132	70,283	36,102	33,408
7,151,379	7,610,180	7,780,702	7,861,352	7,627,268	8,222,741	8,084,943
3,564,422	3,904,845	3,845,749	3,647,012	3,183,727	5,183,820	3,801,600
134,218	153,742	440,644	328,298	548,407	2,493,216	399,214
3,698,640	4,058,587	4,286,393	3,975,310	3,732,134	7,677,036	4,200,814
$ 10,850,019	$ 11,668,767	$ 12,067,095	$ 11,836,662	$ 11,359,402	$ 15,899,777	$ 12,285,757
$ 174,566	$ 189,645	$ 279,595	$ 150,242	$ 109,538	$ 145,957	$ 145,957
772,830	816,496	972,419	869,715	1,147,085	1,056,453	949,047
-	-	34,245	-	-	-	-
-	-	22,887	20,498	24,582	20,622	20,622
164,926	230,056	268,290	377,544	382,669	332,703	324,176
352,102	226,239	393,993	280,848	1,885,625	173,007	298,227
1,464,424	1,462,436	1,971,429	1,698,847	3,549,499	1,728,742	1,738,029
3,167,127	3,313,932	4,544,897	4,280,409	4,116,584	3,832,085	3,832,559
662,405	691,018	738,144	778,213	817,330	865,687	865,687
-	-	-	-	-	-	-
3,829,532	4,004,950	5,283,041	5,058,622	4,933,914	4,697,772	4,698,246
$ 5,293,956	$ 5,467,386	$ 7,254,470	$ 6,757,469	$ 8,483,413	$ 6,426,514	$ 6,436,275

CITY OF RICHLAND HILLS, TEXAS

CHANGES IN NET POSITION
(Continued)
LAST TEN FISCAL YEARS

	Fiscal Year		
	2006	2007	2008
NET (EXPENSE) REVENUES			
Governmental activities	$(4,642,427)	$(4,530,245)	$(5,416,184)
Business-type activities	147,043	(723,114)	(459,048)
Total primary government net expense	(4,495,384)	(5,253,359)	(5,875,232)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS			
Governmental activities:			
Taxes			
Property	1,772,300	1,858,628	1,927,273
Sales	1,601,495	2,067,016	2,457,930
Franchise	598,861	552,072	543,654
Hotel occupancy	-	-	-
Investment earnings	136,546	159,705	64,126
Miscellaneous	-	61,441	166,573
Gain on sale of capital assets	-	-	-
Transfers	(35,594)	(16,198)	-
Total governmental activities	4,073,608	4,682,664	5,159,556
Business-type activities:			
Investment earnings	97,355	203,780	58,927
Miscellaneous	-	-	-
Transfers	35,594	16,198	-
Total business-type activities	132,949	219,978	58,927
Total primary government	4,206,557	4,902,642	5,218,483
CHANGE IN NET POSITION			
Governmental activities	(568,819)	152,419	(256,628)
Business-type activities	279,992	(503,136)	(400,121)
Total primary government	$(288,827)	$(350,717)	$(656,749)

TABLE 2

Fiscal Year						
2009	2010	2011	2012	2013	2014	2015
$(5,686,955)	$(6,147,744)	$(5,809,273)	$(6,162,505)	$(4,077,769)	$(6,493,999)	$(6,346,914)
130,892	(53,637)	996,648	1,083,312	1,201,780	(2,979,264)	497,432
(5,556,063)	(6,201,381)	(4,812,625)	(5,079,193)	(2,875,989)	(9,473,263)	(5,849,482)
2,083,969	2,119,563	2,197,570	2,204,507	2,174,946	2,309,156	2,324,952
2,262,356	2,210,327	2,593,770	3,077,839	2,743,469	3,852,303	4,023,815
562,590	480,222	509,015	651,374	471,759	602,352	590,583
52,079	121,561	152,597	182,112	194,967	210,250	210,250
9,476	3,925	3,806	2,416	2,076	1,078	9,701
938,837	151,306	97,145	12,053	8,513	8,777	8,777
-	-	-	-	28,678	(269,203)	6,452
(266,198)	(16,198)	(300,788)	(116,198)	(57,091)	413,985	413,985
5,643,109	5,070,706	5,253,115	6,014,103	5,567,317	7,128,698	7,588,515
9,017	3,375	6,347	4,618	4,141	1,529	1,542
-	-	5,728	7,925	6,233	10,397	10,397
266,198	16,198	300,788	116,198	57,091	(413,983)	(413,985)
275,215	19,573	312,863	128,741	67,465	(402,057)	(402,046)
5,918,324	5,090,279	5,565,978	6,142,844	5,634,782	6,726,641	7,186,469
(43,846)	(1,077,038)	(556,158)	(148,402)	1,489,548	634,699	1,241,601
406,107	(34,064)	1,309,511	1,212,053	1,269,245	(3,381,321)	95,386
$ 362,261	$(1,111,102)	$ 753,353	$ 1,063,651	$ 2,758,793	$(2,746,622)	$ 1,336,987

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TABLE 3

CITY OF RICHLAND HILLS, TEXAS

FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General fund										
Reserved	$ 70,206	$ 88,573	$ 94,104	$ 83,381	$ 959,203	$ -	$ -	$ -	$ -	$ -
Nonspendable	-	-	-	-	-	830,477	663,958	432,896	487,319	-
Unassigned	-	-	-	-	-	1,496,041	1,404,689	1,549,578	2,384,982	3,031,436
Unreserved	2,511,373	2,753,628	2,789,037	2,483,768	1,115,619	-	-	-	-	-
Total general fund	$ 2,581,579	$ 2,842,201	$ 2,883,141	$ 2,567,149	$ 2,074,822	$ 2,326,518	$ 2,068,647	$ 1,982,474	$ 2,872,301	$ 3,031,436
All other governmental funds										
Reserved	$ 49,069	$ 376,513	$ 403,585	$ 408,406	$ 351,107	$ -	$ -	$ -	$ -	$ -
Restricted	-	-	-	-	-	1,615,422	1,819,068	1,411,511	1,511,691	1,513,668
Assigned	-	-	-	-	-	23,425	23,425	23,425	23,425	23,425
Unassigned	-	-	-	-	-	-	(47,496)	(40,487)	(367,364)	(216,619)
Unreserved, reported in:										
Special revenue funds	721,920	815,053	1,041,506	1,002,259	1,004,795	-	-	-	-	-
Capital projects funds	306,243	780,342	209,354	1,033,429	552,409	-	-	-	-	-
Total all other governmental funds	$ 1,077,232	$ 1,971,908	$ 1,654,445	$ 2,444,094	$ 1,908,311	$ 1,638,847	$ 1,794,997	$ 1,394,449	$ 1,167,752	$ 1,320,474

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

TABLE 4

CITY OF RICHLAND HILLS, TEXAS

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
REVENUES										
Taxes	$ 3,963,676	$ 4,420,262	$ 4,942,857	$ 4,945,924	$ 4,935,890	$ 5,683,400	$ 6,074,453	$ 5,634,403	$ 6,959,860	$ 7,131,372
Fines and fees	407,187	1,015,339	722,672	614,228	654,673	623,663	638,238	901,659	775,521	775,521
Licenses, permits, fees	109,134	135,319	136,745	69,108	111,859	274,680	144,736	99,370	131,148	131,148
Charges for services	285,603	249,631	237,077	237,184	240,425	253,010	263,253	279,873	260,172	260,172
Intergovernmental	182,962	168,050	166,444	426,644	382,703	499,954	337,263	1,989,549	309,768	485,486
Investment earnings	136,546	159,705	64,126	9,476	3,925	3,806	2,416	2,076	1,078	1,078
Other	73,952	105,921	231,634	984,144	194,319	191,828	340,957	287,258	204,719	145,694
Total revenues	5,159,060	6,254,227	6,501,555	7,286,708	6,523,794	7,530,341	7,801,316	9,194,188	8,642,266	8,930,471
EXPENDITURES										
General government	535,853	339,869	338,417	358,134	378,811	424,446	838,508	610,000	1,181,854	1,181,854
Public safety	3,451,450	3,941,780	4,306,075	4,325,390	4,900,216	4,575,681	4,728,371	4,677,900	4,788,070	4,789,942
Public works	326,348	349,109	493,330	656,433	510,250	276,251	298,169	394,109	252,849	252,849
Culture and recreation	276,603	284,706	308,140	293,622	329,463	382,008	370,103	389,945	378,424	378,425
Parks and beautification	40,649	9,311	11,818	16,005	4,256	10,378	26,991	8,110	81,620	81,620
Community and developmen	68,552	91,984	75,688	154,213	197,391	592,442	620,579	753,020	769,346	769,346
Capital outlay	707,548	321,570	954,855	472,993	913,798	1,235,800	537,927	2,853,936	921,268	895,743
Debt service										
Principal	200,000	191,000	223,000	242,000	251,000	331,000	293,000	308,000	330,000	330,000
Interest	78,471	83,867	99,393	79,663	71,249	83,958	73,191	81,240	36,404	36,404
Bond issuance costs	12,069	13,500	-	-	-	-	-	-	-	-
Total expenditures	5,697,543	5,626,696	6,810,716	6,598,453	7,556,434	7,911,964	7,786,839	10,076,260	8,739,835	8,716,183

TABLE 4

CITY OF RICHLAND HILLS, TEXAS

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$(538,483)	$ 627,531	$(309,161)	$ 688,255	$(1,032,640)	$(381,623)	$ 14,477	$(882,072)	$(97,569)	$ 214,288
OTHER FINANCING SOURCES (USES)										
Proceeds from sale of general capital assets	25,546	8,955	32,648	51,600	20,728	40,709	-	37,442	-	6,452
Proceeds from issuance of bonds	415,000	535,000	-	-	-	473,000	-	415,000	-	-
Proceeds from insurance re	-	-	-	-	-	50,146	-	-	-	-
Transfers in	122,863	259,808	244,780	260,887	320,113	133,006	144,110	146,707	705,559	705,560
Transfers out	(158,457)	(276,006)	(244,780)	(527,085)	(336,311)	(333,006)	(260,308)	(203,798)	(291,574)	(291,575)
sources (uses)	404,952	527,757	32,648	(214,598)	4,530	363,855	(116,198)	395,351	413,985	420,437
NET CHANGE IN FUND BALANCES	$(133,531)	$ 1,155,288	$(276,513)	$ 473,657	$(1,028,110)	$(17,768)	$(101,721)	$(486,721)	$ 316,416	$ 634,725
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	5.58%	5.18%	5.77%	5.40%	5.02%	6.12%	5.25%	5.36%	4.49%	4.60%

TABLE 5

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
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	2,306,724	3,850,729	1,574	590,583	210,250	6,959,860
2015	2,306,724	4,021,746	2,069	590,583	210,250	7,131,372

TABLE 6

CITY OF RICHLAND HILLS, TEXAS

APPRAISED AND TAXABLE VALUE PROPERTY (1)

LAST TEN FISCAL YEARS

Fiscal Year	Appraised Property Value: Residential Property	Commercial Property	Industreial Property	Other Property	Personal Property	Less: Tax-exempt Property	Net Taxable Value	Total Direct Tax Rate
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
2015	249,818,804	140,619,127	10,954,105	8,567,090	88,156,960	49,823,877	448,292,209	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

	City of Richland Hills							
Fiscal Year	Operations	Debt Service	Total	Birdville Independent School District	Tarrant County	Hospital District	Junior College	Total Levy
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
2015	0.469092	0.059002	0.528094	1.435000	0.264000	0.227897	0.149500	2.604491

TABLE 8

CITY OF RICHLAND HILLS, TEXAS

TOP TEN TAXPPAYERS

CURRENT YEAR AND NINE YEARS AGO

		2015			2006		
Taxpayer	Nature of Business	2015 Taxable Assessed Valuation	Rank	Percentage of Total City Taxable Assessed Valuation (1)	2006 Taxable Assessed Valuation*	Rank	Percentage of Total City Taxable Assessed Valuation (1)
First Industrial, LP	Real Estate/Commercial	$ 8,097,913	1	1.8%	$ 14,609,920	1	3.6%
The Creek on Calloway LP	Apartments	7,660,000	2	1.7%	-		1.2%
CN Churchill II and III LLC	Hotel	6,408,487	3	1.4%	-		- %
Stuart C Irby Company	Retailer	5,870,231	4	1.3%	4,969,380	4	- %
Chesapeake Operating	Oil/Gas	5,255,750	5	1.2%	11,587,483	2	- %
Oncor Electric Delivery Compa	Utility	5,176,531	6	1.2%	-		- %
Charter Communications	Utility	5,111,949	7	1.1%	-		- %
Southwestern Bell	Utility	5,031,689	8	1.1%	-		2.9%
First Industrial, LP	Real estate/commercial	4,033,300	9	0.9%	-		- %
AHC Richland Hills	Apartments	2,869,592	10	0.6%	-		- %
Eagle Drilling Company	Retailer	-			5,410,000	3	1.3%
TXU Exlectric Delivery Co	Utility	-			3,866,868	5	1.0%
Edward L. Baker	Real Estate/Commercial	-			3,388,118	6	0.8%
Dynamo Corp	Retailer	-			3,272,052	7	0.8%
NH Texas Properties Ltd	Real Estate/Commercial	-			2,984,203	8	0.7%
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		55,515,442		12.3%	55,744,024		13.7%
							- %
Total assessed value of other taxpayers		392,776,767		87.7%	350,623,095		86.3%
Total assessed value of all taxpayers		$ 448,292,209		100.0%	$ 406,367,119		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)

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Collections	Delinquent Taxes to Tax Levy
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%	4,976	2,231,421	99.1%	19,496	0.9%
2015	2,316,163	2,272,895	98.1%	-	2,272,895	98.1%	43,268	1.9%

TABLE 10

CITY OF RICHLAND HILLS, TEXAS

TAXABLE SALES BY CATEGORY

LAST NINE YEARS (UNAUDITED)

	Calendar Year								
	2006	2007	2008	2009	2010	2011	2012	2013	2014
Construction	$ 20,794,398	$ 18,374,108	$ 23,881,380	$ 18,886,577	$ 11,828,234	$ 11,249,406	$ 12,709,332	$ 13,444,119	$ 16,807,536
Manufacturing	10,257,696	7,914,159	6,347,714	5,661,817	5,675,971	4,665,073	6,536,124	6,834,779	8,824,285
Wholesale trade	38,193,847	41,068,220	50,674,366	38,372,556	42,179,004	39,795,387	76,100,674	45,061,683	57,165,847
Retail trade	10,063,701	8,905,776	8,887,046	8,542,823	9,190,270	9,910,698	11,802,169	19,603,777	36,659,388
Transportation/warehousing	7,006	3,389	-	8,824	5,502	9,048	15,211	31,662	101,397
Information	513,669	67,028	1,085,520	5,565,666	6,666,544	7,706,160	15,412,460	18,620,276	18,767,045
Real estate/rental/leasing	9,732	11,003	40,147	39,202	175,225	-	-	406,546	13,961,493
Professional/scientific/ technical services	3,963,816	4,413,397	3,306,050	3,225,222	1,863,805	1,741,002	1,200,937	1,036,155	777,585
Administrative/waste management/ remediation services	18,907,119	44,681,341	41,635,997	43,055,087	43,444,315	46,392,940	38,100,969	25,790,253	29,814,151
Educational services	282	459	-	1,721	5,830	1,940	577	381	1,476
Health care/social assistance	1,761	72,425	85,876	28,975	13,583	19,692	29,962	122,286	77,995
Arts/entertainment/recreation	23,821	32,869	9,816	-	-	-	-	250	151,250
Accommodation/food services	5,520,323	5,855,259	5,918,261	5,800,883	5,661,702	5,975,350	6,347,157	6,452,503	6,647,468
Other services	3,046,218	3,670,592	5,752,124	6,835,836	7,748,713	11,699,691	14,038,522	4,204,029	5,389,473
Other	-	-	-	-	-	-	-	-	-
Total	$ 111,303,389	$ 135,070,025	$ 147,624,297	$ 136,025,189	$ 134,458,698	$ 139,166,387	$ 182,294,094	$ 141,608,699	$ 195,146,389
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

	Governmental Activities					Business-type Activities			
Fiscal Year	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	Premiums	Lease/ Purchases
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
2015	-	130,000	591,000	-	-	-	10,720,000	######	55,756

TABLE 11

Total Government-Wide Indebtedness	Estimated Population	Total Debt Per Capita	Per Capita Income	Per Capita Debt as Percent of Per Capita Income
$ 6,400,000	8,300	$ 771	$ 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%
14,296,633	7,801	1,832.67	22,682	8.08%
12,660,110	7,801	1,622.88	22,682	7.15%
11,969,922	7,801	1,534.41	22,682	6.76%

TABLE 12

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
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
2015	7,801	448,292,209	591,000	185,035	405,965	0.09%	52.04

*Source: Tarrant Appraisal District
**Source: North Central Texas Council of Governments

Note: (1) Excludes revenue bonds

TABLE 13

CITY OF RICHLAND HILLS, TEXAS

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT TO GENERAL EXPENDITURES

LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Principal	Interest and Fees	Total Debt Service	Total General Expenditures (1)	Ratio of Debt Service to Total General Expenditures
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%
2015	203,000	29,730	232,730	8,716,183	2.67%

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

TABLE 14

CITY OF RICHLAND HILLS, TEXAS

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

SEPTEMBER 30, 2015 (UNAUDITED)

Government Unit	Debt Outstanding	Estimated Percentage Applicable [1]	Estimated Share of Direct and Overlapping Debt
City of Richland Hills	$ 721,000	100.00%	$ 721,000
Total direct debt [2]			721,000
Birdville Independent School District	256,386,620	7.40%	18,972,610
Tarrant County Junior College	7,935,000	0.66%	52,371
Tarrant County Hospital District	23,440,000	0.66%	154,704
Tarrant County	312,876,754	0.66%	2,064,987
Total overlapping debt			21,244,671
Total direct and overlapping debt			$ 21,965,671

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.

TABLE 15

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	
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
2015	3,844,354	3,032,065	812,289	570,000	216,955	786,955	1.03

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

(2) Excludes depreciation

TABLE 16

CITY OF RICHLAND HILLS, TEXAS

COMPUTATION OF LEGAL DEBT MARGIN

SEPTEMBER 30, 2015 (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 2015 was established at $.528094 per $100 of assessed valuation based on 100% of appraised value.

TABLE 17

CITY OF RICHLAND HILLS, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST NINE FISCAL YEARS

Year	Estimated Population	Median Household Income	Per Capita Personal Income	School Enrollment	Unemployment Rate
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%
2015	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

TABLE 18

CITY OF RICHLAND HILLS, TEXAS

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

		2015			2006		
Name of Company	Nature of Business	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	211	1	5.7%	150	2	1.9%
Smith Lawn and Tree	Landscape and Horticulture	140	2	3.8%			
Lexington Place Nursing and Rehabilitation Services	Nursing and personal care	100	3	2.7%			
Buyers Barricade	Barricade Rentals	95	4	2.5%			
Walmart Neighborhood Market	Grocery Store	84	5	2.3%	90	6	1.1%
City of Richland Hills	Municipality	83	6	2.2%	82	8	1.0%
Royal Bath	Plastic plumbing fixture manufacturi	80	7	2.1%			
Hamilton Form Company	Industrial Machinery and Equipment	70	8	1.9%	100	4	1.3%
Trugreen Chemlawn	Landscape and Horticulture	70	9	1.9%	60	10	.8
Valley Dynamo	Table Top Games	65	10	1.7%			- %
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%
		998		19.6%	1,092		13.7%

Sources: City records
North Central Texas Council of Governments

TABLE 19

CITY OF RICHLAND HILLS, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST NINE FISCAL YEARS

Function/Program	Fiscal Year 2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police										
Physical arrests	621	683	500	503	597	542	327	354	416	404
Number of law violations	271	539	3,396	3,885	3,511	3,693	1,090	1279	1,346	946
Fire										
Number of fire runs	475	613	612	541	543	480	477	1375	566	554
Number of EMS runs	897	807	845	813	920	889	898	909	920	902
Public Works - Streets										
Street resurfacing (miles)	0.5	0.3	0.3	0.2	1.4	23.0	0.33	1	0.75	1.50
Potholes repaired	128	134	118	123	123	184	517	207	369	168
Public Works - Water/Wastewater										
New connections	14	7	38	18	12	21	1	2	9	13
Water main breaks	24	23	26	25	43	18	30	9	31	30
Average daily consumption (thousand of gallons)	831	806	925	921	836	955	879	882	654	789
Peak daily consumption (thousand of gallons)	1,430	1,220	1,800	1,610	1,552	1,670	1,716	1,517	1,048	1,494
Average daily sewer treatment (thousand of gallons)	977	1,381	902	880	1,499	688	697	468	407	793
Library										
Volumes collection	38,476	38,721	39,393	37,954	37,562	41,310	36,346	40,276	37,117	41,701
Total volumes borrowed	41,544	35,004	40,056	42,288	36,398	39,208	34,678	5,218	55,635	37,805

Source: Various City departments

TABLE 20

CITY OF RICHLAND HILLS, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST NINE FISCAL YEARS

	Fiscal Year									
Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	11	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

TABLE 21

CITY OF RICHLAND HILLS, TEXAS

FULLTIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year 2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government										
Administration	6	6	6	6	6	6	6	7	8	8
City secretary	1	1	1	1	1	1	1	1	1	1
Community development	2	2	2	2	3	3	3	3	3	4
Economic development	-	-	-	1	1	1	1	-	-	-
Animal services	2	2	2	2	2	2	2	2	2	2
Public safety										
Police	29	29	29	29	29	30	30	24	25	26
Fire	17	17	17	17	17	16	16	16	17	17
Municipal court	3	3	3	3	3	2	2	2	2	2
Streets	2	3	3	3	3	2	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	3	3	3	3	3
Total	82	83	83	84	85	84	84	78	81	83

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COMPLIANCE SECTION

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

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

To the Mayor and Members of City Council
City of Richland Hills, Texas
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 City of Richland Hills, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise City of Richland Hills, Texas' basic financial statements, and have issued our report thereon dated March 31, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Richland Hills, Texas' 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 City of Richland Hills, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Richland Hills, Texas' 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.

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

Purpose of this Report

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

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

Waco, Texas
March 31, 2016

CITY OF RICHLAND HILLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Item 2015-1: Debt Covenants

Criteria: Bond covenant requirements of the revenue bonds require that the City maintain an operating revenue coverage ratio of 1.25 times the annual debt service expenses in the Water and Sewer Funds. The measure of adequacy of service liability of the debt is the revenue bond coverage (net revenues available for debt service divided by the current debt service requirements.

Condition: The City's ratio at September 30, 2015 was measured at 1.03, which is under the required value of 1.25

Cause: The City's increased expenses in relation to the decrease in revenues in the enterprise fund had a detrimental effect on the City's bond coverage ratio in the current year.

Effect or potential effect: The City is in noncompliance with its debt covenants.

Recommendation: PBH recommends that the City periodically check the debt covenants during the year to insure its compliance and make changes accordingly. The revenue bond coverage ratio should be taken into account when yearly budgets are generated.

Management's Response: Management intends to establish a debt payment fund with reserves in place in order to ensure compliance. Management will also review our annual transfers from the Utility Fund to evaluate if we can reduce those transfers and instead apply those funds toward the 1.25 requirement.

Contact Person Responsible for Corrective Action: Finance Director.

Anticipated Completion Date: Immediate.

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