

Memorandum

To: Honorable Mayor Bill Agan and members of the Richland Hills City Council
From: Jason Moore, Assistant City Manager
Date: March 12, 2018
Subject: Accept the 2017 Comprehensive Annual Financial Report

Council Action: Accept the 2017 Comprehensive Annual Financial Report as presented by a representative from George, Morgan and Sneed.

Background Information: The Richland Hills City Charter requires an annual audit by an independent certified public accountant. George, Morgan and Sneed P.C., 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 2017. 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, 2017 during the presentation portion of the agenda. Copies will be disseminated to Mayor and Council at the meeting. A Draft copy is included 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

Financial Impact: N/A

Staff Contacts: Jason Moore, Assistant City Manager, jmoore@richlandhills.com

Attachments: 2017 Comprehensive Annual Financial Report



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

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2017**

CITY OF RICHLAND HILLS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the Fiscal Year Ended
September 30, 2017**

Prepared by the Finance Department

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF RICHLAND HILLS, TEXAS
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2017

TABLE OF CONTENTS

	<u>Exhibit Number</u>	<u>Page Number</u>
INTRODUCTORY SECTION		
Letter of transmittal		i - iii
GFOA Certificate of Achievement		iv
List of Principal Officials		v
Organizational Chart		vi
FINANCIAL SECTION		
Independent Auditor's Report		1 - 3
Management's Discussion and Analysis		4 - 15
Basic Financial Statements:		
Government-wide Financial Statements		
Statement of Net Position	A-1	16
Statement of Activities	B-1	17 - 18
Fund Financial Statements		
Balance Sheet - Governmental Funds	C-1	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	C-2	20
Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds	C-3	21
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	C-4	22
Statement of Net Position - Proprietary Funds	D-1	23
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	D-2	24
Statement of Cash Flows - Proprietary Funds	D-3	25
Notes to the Financial Statements		26 - 49
Required Supplementary Information:		
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	E-1	50
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Crime Control District	E-2	51
Schedule of Changes in Net Pension Liability and Related Ratios	E-3	52
Schedule of Contributions	E-4	53
Notes to Required Supplementary Information		54 - 55

CITY OF RICHLAND HILLS, TEXAS
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2017

TABLE OF CONTENTS

	<u>Exhibit Number</u>	<u>Page Number</u>
Combining and Individual Fund Statements and Schedules		
Nonmajor Governmental Funds - Combining Balance Sheet	F-1	56 - 57
Nonmajor Governmental Funds - Combining Statement of Revenues, Expenditures and Changes in Fund Balance	F-2	58 - 59
Court Building Security Special Revenue Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	G-1	60
Richland Hills Development Corporation Special Revenue Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	G-2	61
Court Technology Special Revenue Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	G-3	62
Red Light Camera Enforce Special Revenue Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	G-4	63
Hotel Occupancy Tax Special Revenue Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	G-5	64
Crime Victim Liaison Special Revenue Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	G-6	65
Debt Service Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	G-7	66
Road and Street Capital Projects Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	G-8	67
Oil & Gas Lease Capital Projects Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	G-9	68
	<u>Table Number</u>	<u>Page Number</u>
STATISTICAL SECTION (UNAUDITED)		
Financial Trends		
Net Position by Component	1	69
Changes in Net Position	2	70-71
Fund Balances - Governmental Funds	3	72-73
Changes in Fund Balances - Governmental Funds	4	74-75
Revenue Capacity		
Governmental Funds - Tax Revenue by Source	5	76
Assessed and Estimated Actual Value of Taxable Property	6	77
Direct and Overlapping Property Tax Rates	7	78
Principal Property Taxpayers	8	79
Property Tax Levies and Collectors	9	80
Sales Tax Collections by Fund	10	81
Debt Capacity		
Ratios of Total Outstanding Debt by Type	11	82-83
Ratios of General Bonded Debt Per Assessed Value and Per Capita	12	84
General Bonded Debt as a Ratio of Annual Governmental Expenditures	13	85
Direct and Overlapping Governmental Activities Debt	14	86
Computation of Legal Debt Margin	15	87

CITY OF RICHLAND HILLS, TEXAS
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2017

TABLE OF CONTENTS

	<u>Table Number</u>	<u>Page Number</u>
Demographic and Economic Information		
Demographic and Economic Statistics	16	88
Principal Employers	17	89
Operating Information		
Operating Indicators by Function/Program	18	90
Capital Assets Statistics by Function/Program	19	91
Full-time Equivalent City Government Employees	20	92

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	93-94
---	-------

THIS PAGE INTENTIONALLY LEFT BLANK

INTRODUCTORY SECTION

THIS PAGE INTENTIONALLY LEFT BLANK



CITY OF RICHLAND HILLS, TEXAS

(817) 616-3800 • 3200 DIANA DRIVE • RICHLAND HILLS, TEXAS 76118

February 26, 2018

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, 2017. 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 the operations 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 approximately 15 miles from DFW International Airport. Richland Hills is served by three state-numbered highways, SH 121, SH 26, and SH 10 (Baker Blvd. in Richland Hills), as well as the Trinity Railway Express (TRE), a commuter rail line between Fort Worth and Dallas operated jointly by Dallas Area Rapid Transit (DART) and the Fort Worth Transit Authority (The T). The Richland Hills occupies a land area of 3.9 square miles, is approximately 98% developed, and serves an estimated population of 7,920.

As it is widely recognized, revenue sources for municipalities are primarily driven from ad-valorem (property), sales and use taxes. In 2017, Richland Hill's experienced a 9.9% increase in net assessed taxable value due to an increase in residential and commercial property valuation and an upward trend in economic recovery. The property tax base remains diverse with the top ten taxpayers accounting for 12.2% of the total assessed value. In the General Fund, property tax revenues accounted for 32.8% and sales tax accounted for 43.6% of total revenues.

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 by April 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. George, Morgan & Sneed P.C., 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, 2017, 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, 2017, 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, 2016. 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 fourteen 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,



Ariel Carmona, CGFO, CPM
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, 2016

Christopher P. Morill

Executive Director/CEO

CITY OF RICHLAND HILLS, TEXAS
LIST OF PRINCIPAL OFFICIALS
SEPTEMBER 30, 2017

CITY COUNCIL

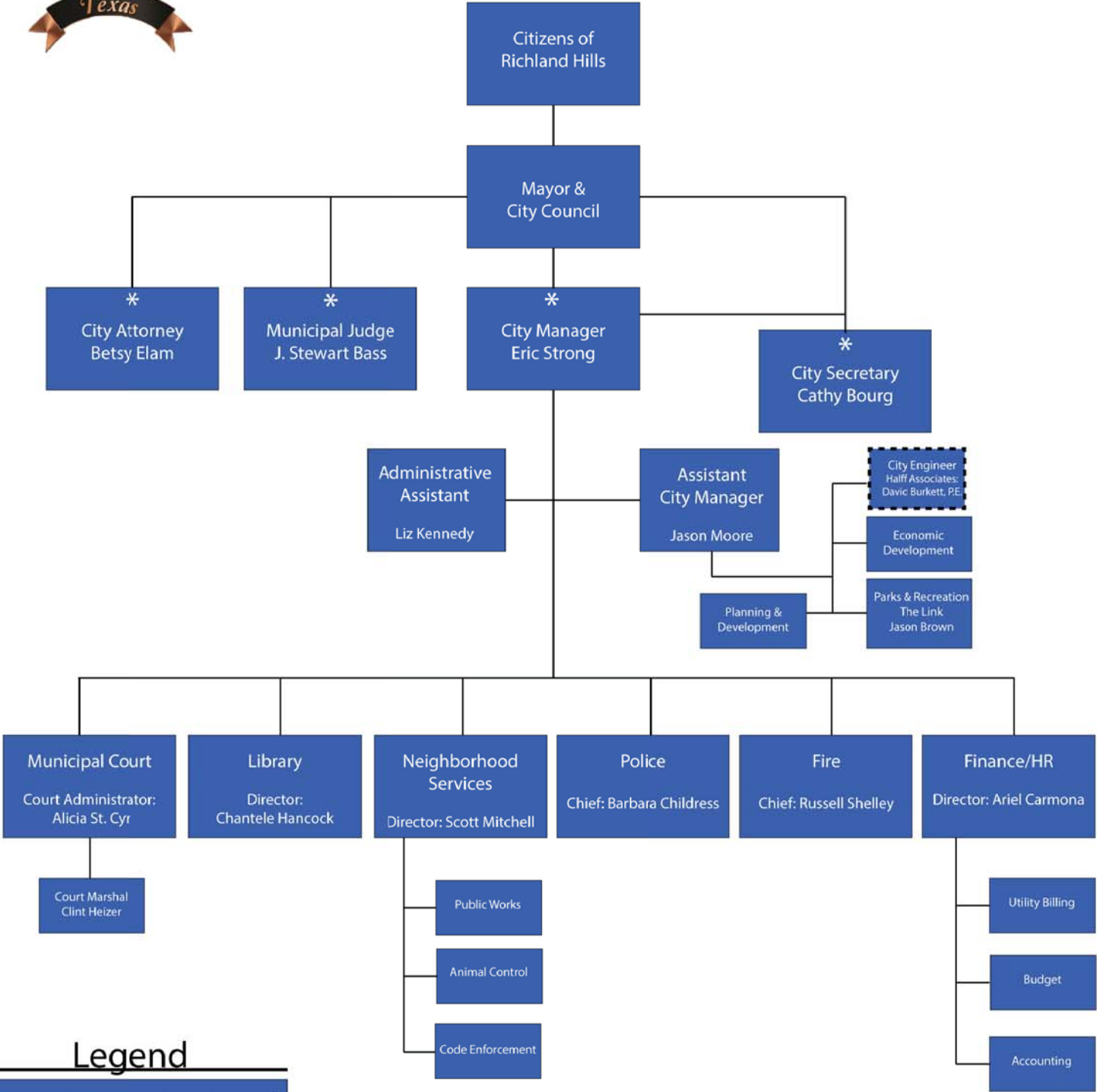
Bill Agan, Mayor
Travis Malone, Place 1
Allison Barger, Mayor Pro Tem, Place 2
Curtis Bergthold, Place 3
Vacant, Place 4
Athena Campbell, Place 5

CITY STAFF

Eric Strong, City Manager
Jason Moore, Assistant City Manager
Cathy Bourg, City Secretary
Ariel Carmona, Finance Director
Barbara Childress, Chief of Police
Russell Shelley, Fire Chief
Scott Mitchell, Director of Neighborhood Services
Chantele Hancock, Library Director
Jason Brown, Link Manager
Alicia St Cyr, Municipal Court Clerk



Organization Chart



Legend

* - Appointed By City Council

Contracted

FINANCIAL SECTION

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4-15 and budgetary comparison information, schedule of changes in net pension liability, and schedule of contributions on pages 50-55 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

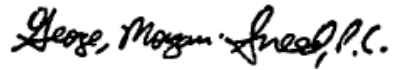
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The introductory section, combining nonmajor funds financial statements, individual fund schedules, and statistical section, are presented for purposes of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

The combining nonmajor funds financial statements and individual fund schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 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 February 12, 2018, on our consideration of the City Richland Hills, Texas' 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.



George, Morgan & Sneed, P.C.
Weatherford, Texas
February 12, 2018

THIS PAGE INTENTIONALLY LEFT BLANK

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 of Richland Hills for the year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Richland Hills exceeded its liabilities at the close of the most recent fiscal year by \$26,261,277 (*net position*) compared to \$26,068,984 for the prior year. Of this amount, \$3,468,885 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$192,293. The City's governmental activities net position decreased by \$566,561 and the business-type activities net position increased \$758,854.
- As of the close of the current year, the City of Richland Hills's governmental funds reported combined ending fund balances of \$5,041,817 compared to \$15,489,552 for the prior year. \$2,630,467 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 \$2,630,467, or 35% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The *statement of net 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 government'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 only result in cash flows in future fiscal periods (e.g., uncollected taxes and fees).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, culture and recreation, parks and beautification, community development and economic development. The business-type activities of the City include water and sewer and drainage utility.

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

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

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

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

The City maintains fifteen 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, Crime Control District special revenue fund and Link Activity Center capital projects 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 Exhibits C-1 through C-4 of this report.

Proprietary funds. The City maintains one type of proprietary fund. The enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations and drainage utility operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund and drainage utility fund.

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-49 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. Required supplementary information can be found on Exhibits E-1 and E-4 of this report.

The combining and individual nonmajor governmental funds statements and schedules are presented immediately following the required supplementary information. These statements can be found on Exhibits F-1 through G-9 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$26,261,277 as of September 30, 2017.

The largest portion of the City's net position (80%) 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 (7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$3,468,885 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current year, the City is able to report positive balances in all three categories of net position for the government as a whole, as well as for its separate governmental activities and business-type activities.

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

Condensed Statement of Net Position

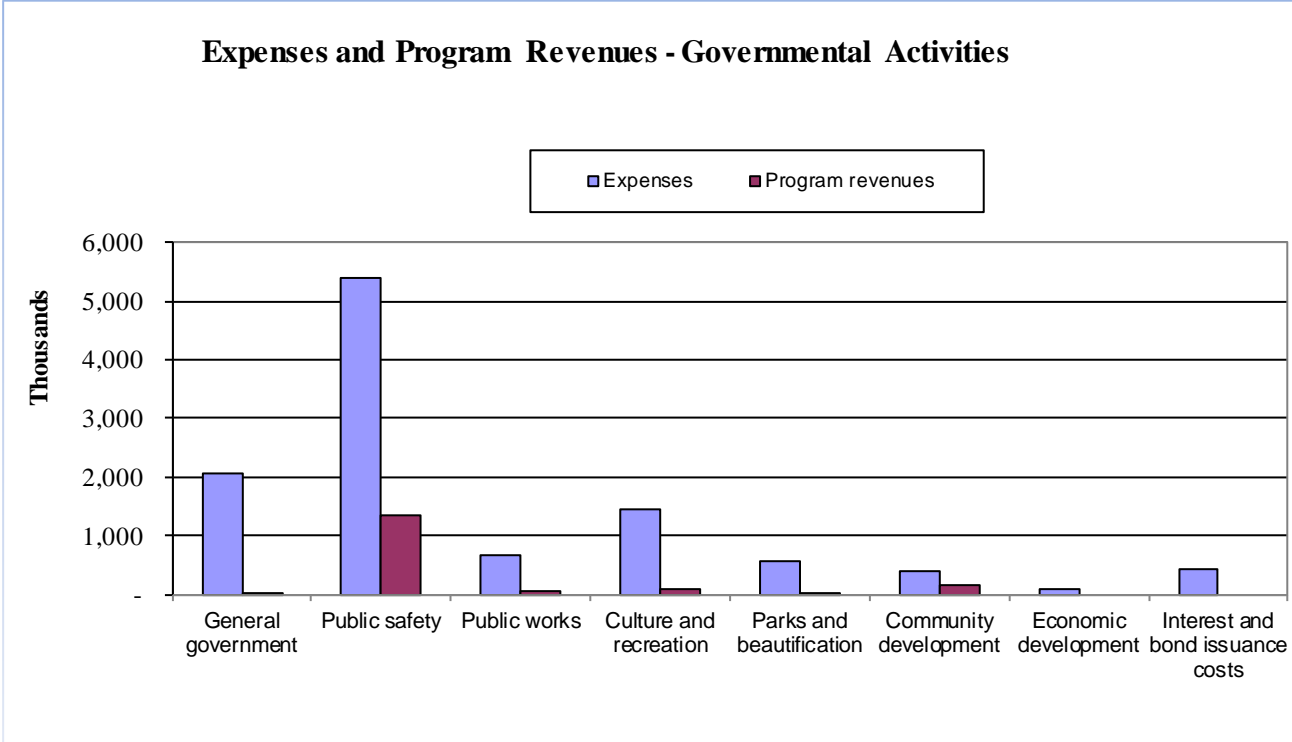
	Governmental Activities		Business-type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 7,512,188	\$ 18,414,533	\$ 3,160,147	\$ 2,902,988	\$ 10,672,335	\$ 21,317,521
Capital assets	<u>25,154,307</u>	<u>15,222,075</u>	<u>20,252,852</u>	<u>20,528,124</u>	<u>45,407,159</u>	<u>35,750,199</u>
Total Assets	<u>32,666,495</u>	<u>33,636,608</u>	<u>23,412,999</u>	<u>23,431,112</u>	<u>56,079,494</u>	<u>57,067,720</u>
Deferred outflows of resources	<u>1,461,154</u>	<u>1,776,046</u>	<u>322,834</u>	<u>483,332</u>	<u>1,783,988</u>	<u>2,259,378</u>
Total deferred outflows	<u>1,461,154</u>	<u>1,776,046</u>	<u>322,834</u>	<u>483,332</u>	<u>1,783,988</u>	<u>2,259,378</u>
Current liabilities	1,687,334	2,114,647	738,832	492,532	2,426,166	2,607,179
Long-term liabilities	<u>17,629,134</u>	<u>17,892,065</u>	<u>11,257,960</u>	<u>12,424,619</u>	<u>28,887,094</u>	<u>30,316,684</u>
Total liabilities	<u>19,316,468</u>	<u>20,006,712</u>	<u>11,996,792</u>	<u>12,917,151</u>	<u>31,313,260</u>	<u>32,923,863</u>
Deferred inflows of resources	<u>240,605</u>	<u>268,805</u>	<u>48,340</u>	<u>65,446</u>	<u>288,945</u>	<u>334,251</u>
Total deferred inflows	<u>240,605</u>	<u>268,805</u>	<u>48,340</u>	<u>65,446</u>	<u>288,945</u>	<u>334,251</u>
Net Position:						
Net investment in capital assets	11,342,503	10,653,314	9,637,000	8,921,383	20,979,503	19,574,697
Restricted	1,812,889	1,692,036	-	-	1,812,889	1,692,036
Unrestricted	<u>1,415,184</u>	<u>2,791,787</u>	<u>2,053,701</u>	<u>2,010,464</u>	<u>3,468,885</u>	<u>4,802,251</u>
Total Net Position	<u>\$ 14,570,576</u>	<u>\$ 15,137,137</u>	<u>\$ 11,690,701</u>	<u>\$ 10,931,847</u>	<u>\$ 26,261,277</u>	<u>\$ 26,068,984</u>

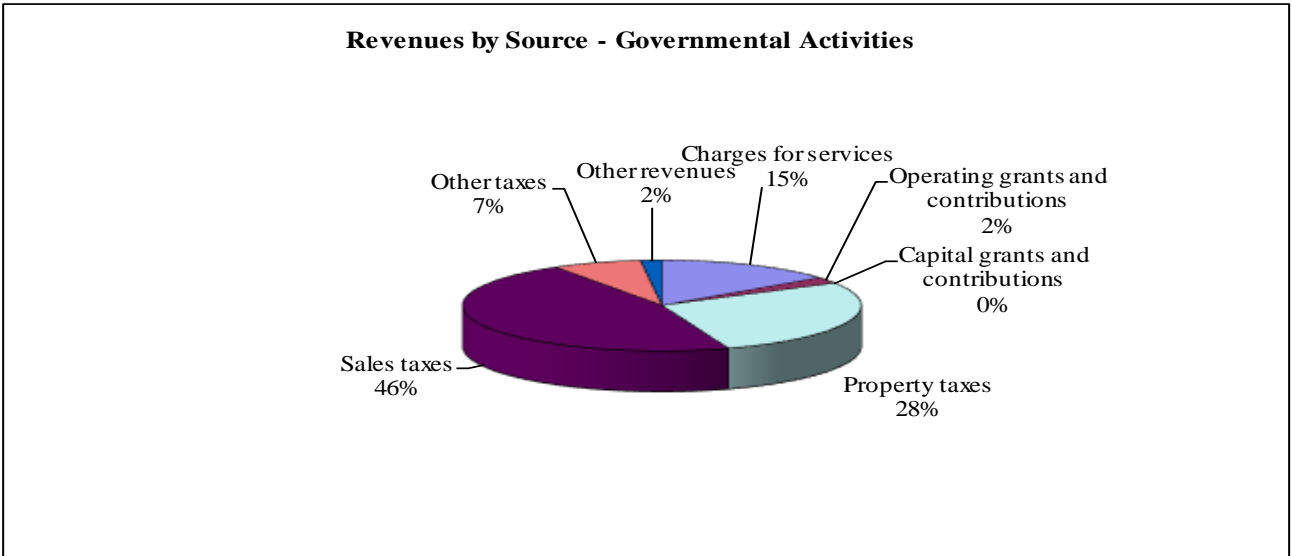
Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,481,181	\$ 1,400,803	\$ 5,058,451	\$ 4,916,055	\$ 6,539,632	\$ 6,316,858
Operating grants and contributions	225,025	212,901	-	-	225,025	212,901
Capital grants and contributions	4,148	364,313	173,079	-	177,227	364,313
General revenues:						
Property taxes	2,839,255	2,364,093	-	-	2,839,255	2,364,093
Sales taxes	4,735,759	4,471,407	-	-	4,735,759	4,471,407
Franchise taxes	512,109	599,094	-	-	512,109	599,094
Hotel Occupancy taxes	226,677	232,946	-	-	226,677	232,946
Investment earnings	16,669	2,992	4,467	829	21,136	3,821
Miscellaneous revenue	159,006	232,653	-	-	159,006	232,653
Total revenues	<u>10,199,829</u>	<u>9,881,202</u>	<u>5,235,997</u>	<u>4,916,884</u>	<u>15,435,826</u>	<u>14,798,086</u>
Expenses						
General government	2,070,959	1,297,325	-	-	2,070,959	1,297,325
Public safety	5,377,655	5,250,251	-	-	5,377,655	5,250,251
Public works	682,106	743,555	-	-	682,106	743,555
Culture and recreation	1,445,683	445,559	-	-	1,445,683	445,559
Parks and beautification	565,333	45,555	-	-	565,333	45,555
Community development	387,387	527,634	-	-	387,387	527,634
Economic development	113,213	184,833	-	-	113,213	184,833
Interest and fiscal agent charges	422,212	272,493	-	-	422,212	272,493
Bond issuance costs	-	269,037	-	-	-	269,037
Water and sewer	-	-	3,574,827	3,939,736	3,574,827	3,939,736
Drainage Utility	-	-	604,158	609,757	604,158	609,757
Total expenses	<u>11,064,548</u>	<u>9,036,242</u>	<u>4,178,985</u>	<u>4,549,493</u>	<u>15,243,533</u>	<u>13,585,735</u>
Increase (decrease) in net position before transfers	(864,719)	844,960	1,057,012	367,391	192,293	1,212,351
Transfers	<u>298,158</u>	<u>508,155</u>	<u>(298,158)</u>	<u>(508,155)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	<u>(566,561)</u>	<u>1,353,115</u>	<u>758,854</u>	<u>(140,764)</u>	<u>192,293</u>	<u>1,212,351</u>
Net Position October 1	<u>15,137,137</u>	<u>13,784,022</u>	<u>10,931,847</u>	<u>11,072,611</u>	<u>26,068,984</u>	<u>24,856,633</u>
Net Position September 30	<u>\$ 14,570,576</u>	<u>\$ 15,137,137</u>	<u>\$ 11,690,701</u>	<u>\$ 10,931,847</u>	<u>\$ 26,261,277</u>	<u>\$ 26,068,984</u>

Governmental Activities. Governmental activities decreased the City's net position by \$566,561 in the current year compared with a \$1,353,115 increase in the prior year. Total governmental activities revenues increased \$318,627 (3%) to \$10,199,829. Property taxes increased \$475,162 due to \$45.3 million increase in assessed property values and \$.066828 increase in tax rate. Sales tax increased \$264,352 because of new business and continued overall economic growth. Capital grants and contributions decreased \$360,165 because of prior year grants for Baker Blvd. intersection and Green Ribbon projects. Total governmental activities expenses increased \$2,028,306 (22%) from the prior year, primarily because salaries previously reported in business-type activities were reallocated to governmental activities and salaries, furnishings, depreciation and other expense of new Link Activity Center.

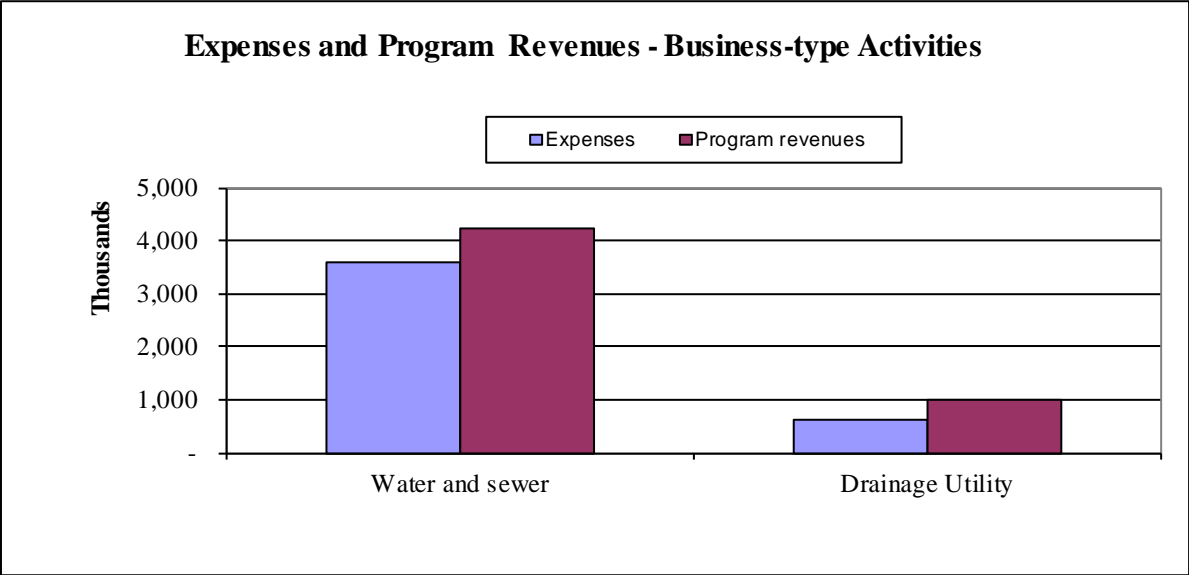
Below are two graphs summarizing governmental activities revenue and expense:

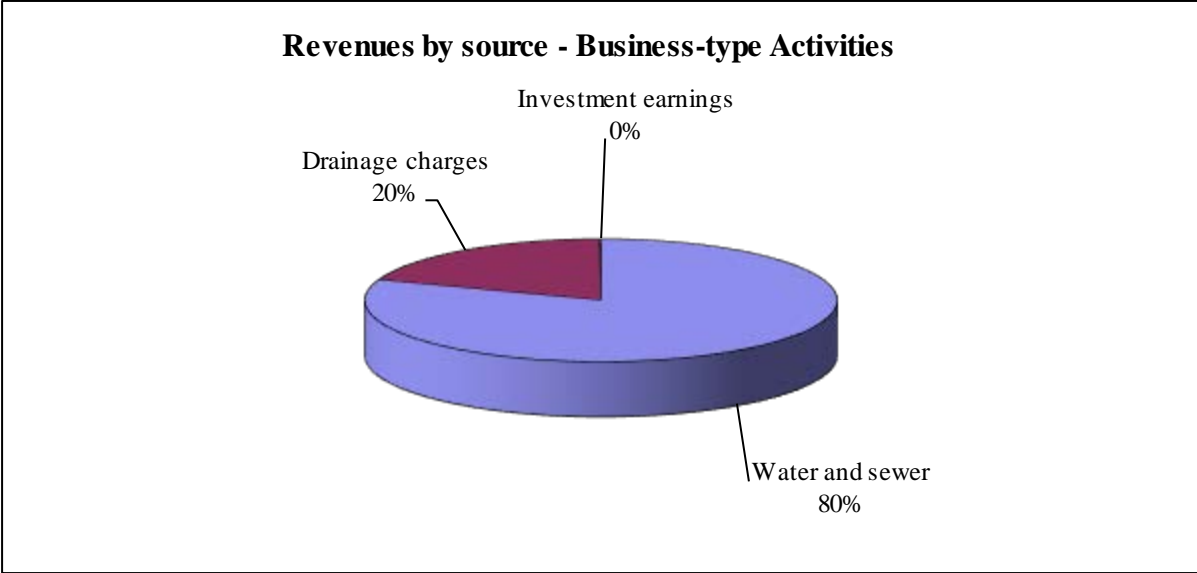




Business-type activities. Business-type activities increased the City’s net position by \$758,854 in the current year compared to a decrease in net position of \$140,764 in the prior year. The business-type activities total revenues increased \$319,113 (6%) to \$5,235,997 due to an increase in gallons of water sold and capital grants for sewer improvements and utility line relocations. Total expenses decreased \$370,505 (8%) to \$4,178,985, because salaries previously reported in water and sewer fund business-type activities were reallocated to governmental activities and sewer charges decreased because the volume treated by Fort Worth decreased and the rates charged by Fort Worth decreased.

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





Financial Analysis of the Government's Funds

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

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

At year end, the City's governmental funds reported combined ending fund balances of \$5,041,817. \$2,630,467 (52%) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is nonspendable, restricted and assigned to indicate that it is not available for new spending because it has already been committed for projects and debt service.

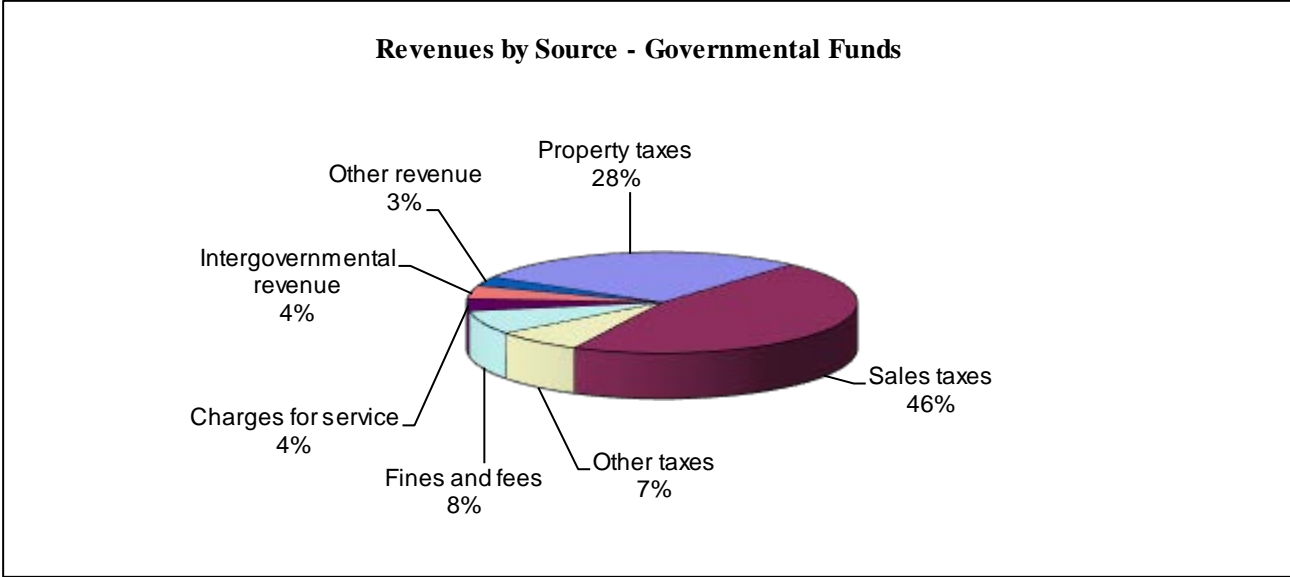
The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,630,467. Fund balance of the general fund decreased \$1,296,176 compared to an increase of \$990,730 in the prior year. Key factors in this decrease are as follow:

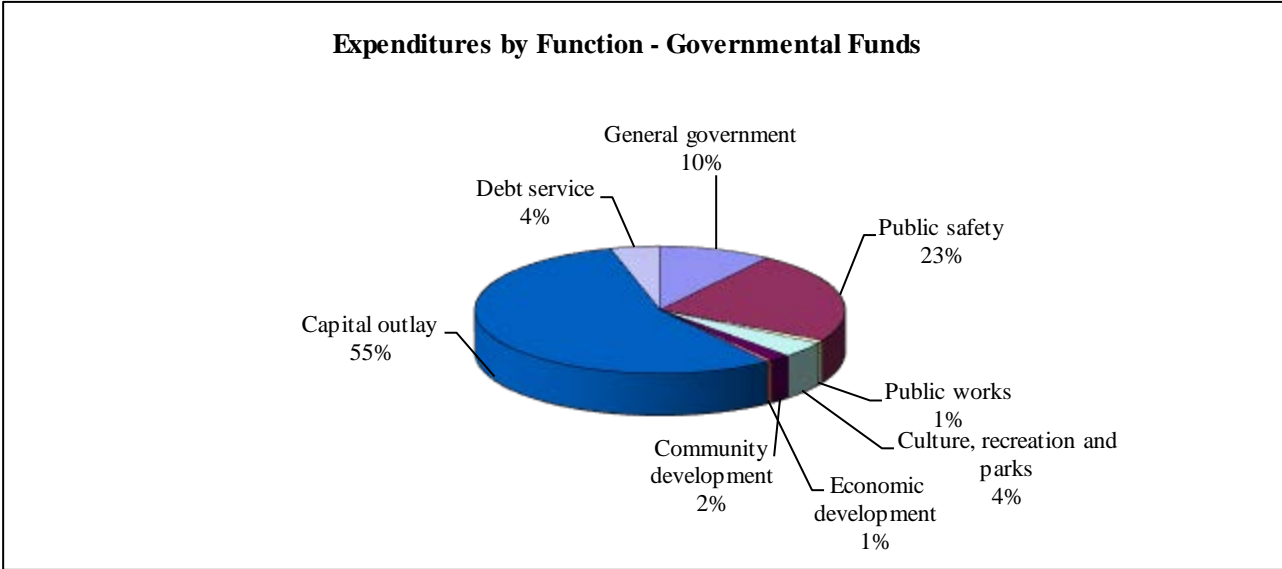
- Revenues decreased \$21,729 (.3%). General fund property taxes increased \$39,116 due to a \$44.1 million increase in assessed property tax values and a tax rate increase of \$.000753 per \$100 assessed value. Sales tax increased \$73,117 due to new businesses and continued overall economic growth.
- Expenditures increased \$1,272,463 (21%) primarily because salaries previously reported in water and sewer fund were reallocated to the general fund and salaries and other expenses related to the new Link Activity Center.
- Transfers out increased \$1,356,612 to close out capital projects funds.

The Crime Control and Prevention District is funded with a .375% sales tax. Sales tax revenue of the Crime Control and Prevention District was \$1,186,765 and funded police expenditures of \$1,112,644 during the current year. Fund balance at year-end is \$433,585.

The Link Activity Center funds was created to account for bond proceeds and the construction of a new activity center. Fund balance at year-end is \$601,871.

Below are two graphs summarizing governmental fund revenue and expenditures.





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

Unrestricted net position of the Water and Sewer Fund and Drainage Utility Fund at the end of the year were \$449,121 and \$1,604,580 respectively. The total change in net position for both funds was \$314,675 and \$444,179, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City’s business-type activities.

General Fund Budgetary Highlights

The City amended its budget once during the year. Expenditures were reallocated and transfers out were increased \$1,600,000 to close out the Link Activity Center capital project and for water and sewer operations.

During the year, actual revenues were \$311,460 greater than budgeted and actual expenditures were \$127,345 more than budgeted. Capital outlay was \$204,949 more than budgeted because an ambulance purchased with a lease was not budgeted.

Capital Assets

The City’s investment in capital assets for its governmental and business type activities as of September 30, 2017, amounts to \$45,407,159, (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:

- Ambulance and 4 vehicles \$379,224
- Fire department roof replacement 38,000
- Police department radio system 161,322
- Engineering for Baker Boulevard intersection project 52,879
- Completed the Link Activity Center and Plaza 10,744,438

Business-type activities:

- Sewer line rehab and lift station improvements \$325,834
- Utility vehicle 25,127
- Sewer improvements on Fir Park Drive funded with CDBG 136,221

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 830,414	\$ 830,414	\$ 256,267	\$ 256,267	\$ 1,086,681	\$ 1,086,681
Construction in progress	516,813	4,567,190	-	-	516,813	4,567,190
Buildings	11,520,677	1,070,048	2,643	3,275	11,523,320	1,073,323
Improvements	3,101,448	880,618	6,996,983	7,170,738	10,098,431	8,051,356
Water and sewer systems	-	-	12,710,942	12,759,862	12,710,942	12,759,862
Machinery and equipment	2,205,683	872,537	286,017	337,982	2,491,700	1,210,519
Infrastructure	6,979,272	7,001,268	-	-	6,979,272	7,001,268
Total	\$ 25,154,307	\$ 15,222,075	\$ 20,252,852	\$ 20,528,124	\$ 45,407,159	\$ 35,750,199

Additional information on the City’s capital assets can be found in note 1.D.5 and note 7 to the financial statements.

Long-Term Debt

At year-end the City had \$24,055,014 in long-term debt outstanding. \$8,770,000 are general obligation bonds backed by the full faith and credit of the City and \$14,585,000 are certificates of obligation secured by a combination of tax and revenue. The City’s outstanding tax supported debt is rated “AA” by Standard & Poor’s Ratings Services.

City of Richland Hills’s Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Certificates of Obligation	\$ 4,585,000	\$ 4,705,000	\$ 10,000,000	\$ 10,895,000	\$ 14,585,000	\$ 15,600,000
General Obligation	8,770,000	8,770,000	-	-	8,770,000	8,770,000
Contractual Obligation	297,000	375,000	-	-	297,000	375,000
Capital Leases Payable	196,033	20,653	206,981	270,722	403,014	291,375
Total	\$ 13,848,033	\$ 13,870,653	\$ 10,206,981	\$ 11,165,722	\$ 24,055,014	\$ 25,036,375

More detailed information about the City’s debt is presented in note 8 to the Financial Statements.

Economic factors and the Next Year’s Budgets and Rates

The City’s tax year 2017 total taxable value, as provided by the Tarrant Appraisal District is \$504,557,573, an increase of 9.9% over 2016 total taxable value of \$459,216,104. The property tax rate in the fiscal year 2018 adopted budget is \$.563738. The maintenance and operations rate is \$.460847 and the debt rate is \$.102891. The estimated property tax revenue for fiscal year 2018 is \$2,695,096, which is an increase of \$292,708 or 12.2% from the projected tax revenues for fiscal year 2017.

In the General Fund total operating revenues for fiscal year 2017-2018 are \$7,545,702. Sales tax revenue (including liquor tax) is projected at a total of \$3,102,100, a projected increase of \$600,687 over fiscal year 2017 budget. This increase is primarily due to increased property values and an increase in sales tax revenue driven by several businesses and business expansions within the city.

Total expenditures for the General Fund for the upcoming fiscal year are \$7,501,623. Total expenditures are expected to exceed total revenues by \$44,079 due to a planned drawdown of excess reserves to be used toward one-time capital expenses. Water and wastewater revenues for fiscal year 2017 are projected at \$3,957,730, which is equivalent to the projection from fiscal year 2017. Proposed expenses for the Water and Wastewater fund come slightly above projected revenues, at \$4,183,882.

The indicators from 2017 – the continued increase in the City’s total assessed value, as well as in sales tax – suggest that the outlook for the City of Richland Hills is very positive. From the physical development side, working with the Texas Department of Transportation (TxDOT) and Tarrant County on significant improvements to Baker Boulevard; this includes additional turn lanes, new curb and gutter and the addition of sidewalks up and down both sides of Baker Boulevard.

Request for Information

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

BASIC FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY LEFT BLANK

EXHIBIT A-1

CITY OF RICHLAND HILLS, TEXAS
Statement of Net Position
September 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,580,810	\$ 1,271,335	\$ 4,852,145
Investments	2,093,783	877,466	2,971,249
Receivables (Net of allowances for uncollectibles)			
Property tax	69,017	-	69,017
Sales tax	844,623	-	844,623
Franchise taxes	291,646	-	291,646
Accounts	546,791	781,950	1,328,741
Intergovernmental	60,505	40,295	100,800
Other	23,200	-	23,200
Prepays	1,813	-	1,813
Supplies inventory - at cost	-	24,051	24,051
Restricted assets:			
Cash and cash equivalents	-	124,810	124,810
Investments	-	40,240	40,240
Capital assets			
Non-depreciable assets	1,347,227	256,267	1,603,494
Depreciable assets, net	<u>23,807,080</u>	<u>19,996,585</u>	<u>43,803,665</u>
Total Assets	<u>32,666,495</u>	<u>23,412,999</u>	<u>56,079,494</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	-	51,517	51,517
Deferred outflows related to pensions	<u>1,461,154</u>	<u>271,317</u>	<u>1,732,471</u>
Total deferred Outflows of Resources	<u>1,461,154</u>	<u>322,834</u>	<u>1,783,988</u>
LIABILITIES:			
Accounts payable	1,331,777	548,280	1,880,057
Accrued liabilities	248,668	18,281	266,949
Unearned Revenue	45,531	-	45,531
Current Liabilities Payable from Restricted Assets:			
Interest payable	61,358	47,461	108,819
Customer deposits	-	124,810	124,810
Noncurrent liabilities:			
Due Within One Year	513,380	1,028,006	1,541,386
Due in More Than One Year	<u>17,115,754</u>	<u>10,229,954</u>	<u>27,345,708</u>
Total Liabilities	<u>19,316,468</u>	<u>11,996,792</u>	<u>31,313,260</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>240,605</u>	<u>48,340</u>	<u>288,945</u>
Total deferred inflows of Resources	<u>240,605</u>	<u>48,340</u>	<u>288,945</u>
NET ASSETS:			
Net investments in Capital Assets	11,342,503	9,637,000	20,979,503
Restricted for			
Public Safety	538,140	-	538,140
Culture and recreation	19,961	-	19,961
Parks and beautification	29,725	-	29,725
Economic development	401,306	-	401,306
Debt Service	245,745	-	245,745
Capital projects	578,012	-	578,012
Unrestricted Net Assets	<u>1,415,184</u>	<u>2,053,701</u>	<u>3,468,885</u>
Total Net Assets	<u>\$ 14,570,576</u>	<u>\$ 11,690,701</u>	<u>\$ 26,261,277</u>

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

CITY OF RICHLAND HILLS, TEXAS
Statement of Activities
For the Fiscal Year Ended September 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 2,070,959	\$ 2,834	\$ -	\$ -
Public safety	5,377,655	1,138,249	201,421	-
Public works	682,106	67,704	-	4,148
Culture and recreation	1,445,683	103,754	2,722	-
Parks and beautification	565,333	-	20,882	-
Community development	387,387	168,640	-	-
Economic development	113,213	-	-	-
Interest and fiscal agent charges	422,212	-	-	-
Total governmental activities	<u>11,064,548</u>	<u>1,481,181</u>	<u>225,025</u>	<u>4,148</u>
Business-type activities:				
Water and sewer	3,574,827	4,071,480	-	173,079
Drainage utility	604,158	986,971	-	-
Total business-type activities	<u>4,178,985</u>	<u>5,058,451</u>	<u>-</u>	<u>173,079</u>
Total primary government	<u>\$ 15,243,533</u>	<u>\$ 6,539,632</u>	<u>\$ 225,025</u>	<u>\$ 177,227</u>

General Revenues:

Taxes:

Property Taxes, levied for general purposes

Property Taxes, levied for debt service

Sales Taxes

Franchise Taxes

Hotel Occupancy Taxes

Investment Earnings

Gain (Loss) on sale of capital assets

Miscellaneous Revenues

Transfers

Total General Revenues and Transfers

CHANGE IN NET POSITION

NET POSITION, OCTOBER 1, 2016

NET POSITION, SEPTEMBER 30, 2017

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

EXHIBIT B-1

Net (Expense) Revenue and Changes in Net Assets

			<u>Primary Government</u>	
<u>Governmental</u>	<u>Business-type</u>			
<u>Activities</u>	<u>Activities</u>	<u>Total</u>		
\$ (2,068,125)	\$ -	\$		(2,068,125)
(4,037,985)	-			(4,037,985)
(610,254)	-			(610,254)
(1,339,207)	-			(1,339,207)
(544,451)	-			(544,451)
(218,747)	-			(218,747)
(113,213)	-			(113,213)
(422,212)	-			(422,212)
<u>(9,354,194)</u>	<u>-</u>			<u>(9,354,194)</u>
-	669,732			669,732
-	382,813			382,813
<u>-</u>	<u>1,052,545</u>			<u>1,052,545</u>
\$ <u>(9,354,194)</u>	\$ <u>1,052,545</u>	\$		<u>(8,301,649)</u>
\$ 2,237,017	\$ -	\$		2,237,017
602,238	-			602,238
4,735,759	-			4,735,759
512,109	-			512,109
226,677	-			226,677
16,669	4,467			21,136
61,519	-			61,519
97,487	-			97,487
298,158	(298,158)			-
<u>8,787,633</u>	<u>(293,691)</u>			<u>8,493,942</u>
(566,561)	758,854			192,293
<u>15,137,137</u>	<u>10,931,847</u>			<u>26,068,984</u>
\$ <u>14,570,576</u>	\$ <u>11,690,701</u>	\$		<u>26,261,277</u>

CITY OF RICHLAND HILLS, TEXAS

Balance Sheet

Governmental Funds

September 30, 2017

	General	Crime Control District	Link Activity Center	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 1,630,556	\$ 436,202	\$ 1,464,401	\$ 49,651	\$ 3,580,810
Investments	916,353	-	-	1,177,430	2,093,783
Receivables (Net of allowances for uncollectibles)					
Property tax	61,083	-	-	7,934	69,017
Sales tax	552,110	203,049	-	89,464	844,623
Franchise taxes	291,646	-	-	-	291,646
Accounts	522,380	-	-	24,411	546,791
Intergovernmental	9,775	-	-	50,730	60,505
Other	-	-	-	23,200	23,200
Due from other funds	225,272	993	-	-	226,265
Prepays	1,813	-	-	-	1,813
	<u>4,210,988</u>	<u>640,244</u>	<u>1,464,401</u>	<u>1,422,820</u>	<u>7,738,453</u>
Total assets	\$ <u>4,210,988</u>	\$ <u>640,244</u>	\$ <u>1,464,401</u>	\$ <u>1,422,820</u>	\$ <u>7,738,453</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 398,262	\$ 1,534	\$ 862,530	\$ 69,451	\$ 1,331,777
Accrued liabilities	242,522	3,849	-	2,297	248,668
Due to other funds	993	201,276	-	23,996	226,265
Unearned Revenue	45,531	-	-	-	45,531
	<u>687,308</u>	<u>206,659</u>	<u>862,530</u>	<u>95,744</u>	<u>1,852,241</u>
Total liabilities	<u>687,308</u>	<u>206,659</u>	<u>862,530</u>	<u>95,744</u>	<u>1,852,241</u>
Deferred inflow of resources:					
Deferred revenue	832,314	-	-	12,081	844,395
	<u>832,314</u>	<u>-</u>	<u>-</u>	<u>12,081</u>	<u>844,395</u>
Total deferred revenue	<u>832,314</u>	<u>-</u>	<u>-</u>	<u>12,081</u>	<u>844,395</u>
Fund Balances:					
Nonspendable:					
Prepaid items	1,813	-	-	-	1,813
Restricted for:					
Public Safety	9,400	433,585	-	95,155	538,140
Culture and recreation	19,961	-	-	-	19,961
Parks and beautification	29,725	-	-	-	29,725
Economic development	-	-	-	401,306	401,306
Debt Service	-	-	-	237,811	237,811
Capital projects	-	-	601,871	578,012	1,179,883
Assigned	-	-	-	2,711	2,711
Unassigned	2,630,467	-	-	-	2,630,467
	<u>2,691,366</u>	<u>433,585</u>	<u>601,871</u>	<u>1,314,995</u>	<u>5,041,817</u>
Total fund balances	<u>2,691,366</u>	<u>433,585</u>	<u>601,871</u>	<u>1,314,995</u>	<u>5,041,817</u>
Total liabilities, deferred inflows and fund balances	\$ <u>4,210,988</u>	\$ <u>640,244</u>	\$ <u>1,464,401</u>	\$ <u>1,422,820</u>	\$ <u>7,738,453</u>

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

CITY OF RICHLAND HILLS, TEXAS
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
September 30, 2017

Total Fund Balances - Governmental Funds	\$ 5,041,817
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of these assets was \$47,437,460 and the accumulated depreciation was \$22,283,153.	25,154,307
Long-term liabilities, including \$14,217,372 bonds payable, \$196,303 capital leases payable, and \$257,397 compensated absences payable are not due and payable in the current period, and, therefore are not reported as liabilities in the fund financial statements.	(14,671,072)
Interest payable is not expected to be liquidated with available financial resources and is not reported as a liability in the fund financial statements.	(61,358)
Current receivables are not available soon enough to pay for the current period's expenditures and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.	844,395
Included in the items related to noncurrent liabilities is the recognition of the City's net pension liability required by GASB 68 in the amount of \$2,958,062, a deferred resource inflow related to pensions of \$240,605, and a deferred resource outflow related to pensions in the amount of \$1,461,154. This amounts to a \$1,737,513 decrease in net position.	(1,737,513)
Net Position of Governmental Activities	<u>\$ 14,570,576</u>

CITY OF RICHLAND HILLS, TEXAS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2017

	General	Crime Control District	Link Activity Center	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property	\$ 2,240,602	\$ -	\$ -	\$ 669,338	\$ 2,909,940
Sales	2,980,714	1,186,765	-	568,280	4,735,759
Franchise	527,855	-	-	-	527,855
Hotel occupancy tax	-	-	-	226,677	226,677
Fines and forfeitures	387,670	-	-	396,334	784,004
Licenses and permits	168,640	-	-	-	168,640
Charges for service	407,685	-	-	-	407,685
Intergovernmental revenue	38,914	-	-	389,912	428,826
Investment earnings	15,498	695	-	476	16,669
Other revenue	69,876	-	9,690	41,658	121,224
Total revenues	<u>6,837,454</u>	<u>1,187,460</u>	<u>9,690</u>	<u>2,292,675</u>	<u>10,327,279</u>
EXPENDITURES					
Current					
General government	2,102,399	-	-	-	2,102,399
Public safety	3,457,636	951,322	-	546,768	4,955,726
Public works	173,764	-	-	-	173,764
Culture and recreation	726,122	-	-	-	726,122
Parks and beautification	134,826	-	-	-	134,826
Community development	381,325	-	-	-	381,325
Economic development	-	-	-	113,213	113,213
Capital outlay	423,379	161,322	11,159,954	110,844	11,855,499
Debt service:					
Principal	56,729	-	-	198,000	254,729
Interest and fiscal agent charges	4,502	-	-	664,965	669,467
Total expenditures	<u>7,460,682</u>	<u>1,112,644</u>	<u>11,159,954</u>	<u>1,633,790</u>	<u>21,367,070</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(623,228)</u>	<u>74,816</u>	<u>(11,150,264)</u>	<u>658,885</u>	<u>(11,039,791)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	61,519	-	-	-	61,519
Capital lease	232,379	-	-	-	232,379
Transfers in	633,158	-	1,825,000	40,000	2,498,158
Transfers out	(1,600,000)	(208,000)	-	(392,000)	(2,200,000)
Total other financing sources (uses)	<u>(672,944)</u>	<u>(208,000)</u>	<u>1,825,000</u>	<u>(352,000)</u>	<u>592,056</u>
NET CHANGE IN FUND BALANCES	(1,296,172)	(133,184)	(9,325,264)	306,885	(10,447,735)
FUND BALANCE, OCTOBER 1, 2016	<u>3,987,538</u>	<u>566,769</u>	<u>9,927,135</u>	<u>1,008,110</u>	<u>15,489,552</u>
FUND BALANCE, SEPTEMBER 30, 2017	<u>\$ 2,691,366</u>	<u>\$ 433,585</u>	<u>\$ 601,871</u>	<u>\$ 1,314,995</u>	<u>\$ 5,041,817</u>

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

CITY OF RICHLAND HILLS, TEXAS
Reconciliation of Statement of Revenues,
Expenditures and Changes in Fund Balances of
The Governmental Funds to the Statement of Activities
For the Fiscal Year Ended September 30, 2017

Total Net Change in Fund Balances - Governmental Funds	\$ (10,447,735)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including \$11,494,717 of capital outlays and \$254,729 of debt principal payments is to increase net position.	11,749,446
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	(1,562,485)
Current year issuance of capital lease are other financing sources in the fund financial statements. The effect of the \$232,379 increase in capital leases payable is a decrease in net position.	(232,379)
Interest payable and compensated absences are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The \$189,117 decrease in interest payable and \$22,992 decrease in compensated absences payable, and the \$58,138 amortization of deferred charges, premiums and discounts increase net position.	270,247
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(216,414)
GASB requires the City to recognize its net pension liability and deferred resource outflow and inflows related to pensions. The changes in these balances increased net position.	(127,241)
Change in Net Position of Governmental Activities	<u>\$ (566,561)</u>

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

CITY OF RICHLAND HILLS, TEXAS

Statement of Net Position

Proprietary Funds

September 30, 2017

	Water and Sewer Fund	Drainage Utility Fund	Totals
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 39,551	\$ 1,231,784	\$ 1,271,335
Investments	387,914	489,552	877,466
Receivables (Net of allowance for uncollectibles):			
Accounts	781,950	-	781,950
Intergovernmental	40,295	-	40,295
Supplies inventory	24,051	-	24,051
Restricted Assets:			
Cash and cash equivalents	124,810	-	124,810
Investments	40,240	-	40,240
Total current assets	<u>1,438,811</u>	<u>1,721,336</u>	<u>3,160,147</u>
Noncurrent Assets:			
Capital assets			
Non-depreciable assets	207,267	49,000	256,267
Depreciable assets, net	12,994,574	7,002,011	19,996,585
Total noncurrent assets	<u>13,201,841</u>	<u>7,051,011</u>	<u>20,252,852</u>
Total assets	<u>\$ 14,640,652</u>	<u>\$ 8,772,347</u>	<u>\$ 23,412,999</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	51,517	-	51,517
Deferred outflows related to pensions	253,445	17,872	271,317
Total deferred outflows of resources	<u>304,962</u>	<u>17,872</u>	<u>322,834</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable	\$ 465,850	\$ 82,430	\$ 548,280
Accrued liabilities	16,263	2,018	18,281
Current Liabilities Payable from Restricted Assets:			
Current portion of noncurrent liabilities	716,153	311,853	1,028,006
Interest payable	35,105	12,356	47,461
Customer deposits payable	124,810	-	124,810
Total current liabilities	<u>1,358,181</u>	<u>408,657</u>	<u>1,766,838</u>
Noncurrent Liabilities:			
Compensated absences payable	35,942	2,294	38,236
Net pension liability	561,986	32,327	594,313
Capital leases payable	140,683	-	140,683
Bonds payable	4,157,545	5,299,177	9,456,722
Total noncurrent liabilities	<u>4,896,156</u>	<u>5,333,798</u>	<u>10,229,954</u>
Total liabilities	<u>6,254,337</u>	<u>5,742,455</u>	<u>11,996,792</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows related to pensions	45,711	2,629	48,340
Total deferred outflows of resources	<u>45,711</u>	<u>2,629</u>	<u>48,340</u>
NET POSITION:			
Net Investment in capital assets	8,196,445	1,440,555	9,637,000
Unrestricted	449,121	1,604,580	2,053,701
Total net assets	<u>\$ 8,645,566</u>	<u>\$ 3,045,135</u>	<u>\$ 11,690,701</u>

CITY OF RICHLAND HILLS, TEXAS
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended September 30, 2017

	Water and Sewer Fund	Drainage Utility Fund	Totals
OPERATING REVENUES			
Charges for sales and services:			
Water sales	\$ 2,026,985	\$ -	\$ 2,026,985
Sewer charges	1,593,227	-	1,593,227
Infrastructure improvement fees	339,815	986,971	1,326,786
Late payment fee	90,282	-	90,282
Miscellaneous fees and charges	21,171	-	21,171
	<u>4,071,480</u>	<u>986,971</u>	<u>5,058,451</u>
OPERATING EXPENSES			
Personnel	798,841	50,130	848,971
Contractual services	197,186	15,584	212,770
Maintenance and repairs	189,056	138,919	327,975
Water purchase	626,760	-	626,760
Sewage treatment	547,382	-	547,382
Other supplies and expenses	431,858	6,053	437,911
Depreciation	600,367	202,486	802,853
	<u>3,391,450</u>	<u>413,172</u>	<u>3,804,622</u>
Total operating expenses	<u>3,391,450</u>	<u>413,172</u>	<u>3,804,622</u>
Operating income (loss)	<u>680,030</u>	<u>573,799</u>	<u>1,253,829</u>
NONOPERATING REVENUES (EXPENSES)			
Investment Earnings	2,314	2,153	4,467
Interest expense and fiscal agent charges	(183,377)	(190,986)	(374,363)
	<u>(181,063)</u>	<u>(188,833)</u>	<u>(369,896)</u>
Total nonoperating revenues (expenses)	<u>(181,063)</u>	<u>(188,833)</u>	<u>(369,896)</u>
Income (loss) before contributions and transfers	498,967	384,966	883,933
Capital contributions and transfers			
Capital grant	173,079	-	173,079
Transfers in	250,000	159,212	409,212
Transfers out	(607,371)	(99,999)	(707,370)
	<u>314,675</u>	<u>444,179</u>	<u>758,854</u>
CHANGE IN NET POSITION	<u>314,675</u>	<u>444,179</u>	<u>758,854</u>
NET POSITION, OCTOBER 1, 2016	<u>8,330,891</u>	<u>2,600,956</u>	<u>10,931,847</u>
NET POSITION, SEPTEMBER 30, 2017	<u>\$ 8,645,566</u>	<u>\$ 3,045,135</u>	<u>\$ 11,690,701</u>

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

CITY OF RICHLAND HILLS, TEXAS
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2017

	Water and Sewer Fund	Drainage Utility Fund	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 4,064,430	\$ 986,971	\$ 5,051,401
Cash paid to suppliers	(1,793,100)	(119,841)	(1,912,941)
Cash paid to employees	(792,943)	(85,265)	(878,208)
Net cash provided by operating activities	<u>1,478,387</u>	<u>781,865</u>	<u>2,260,252</u>
Cash flow from noncapital financing activities:			
(Increase) decrease in due from other funds	-	80,157	80,157
Increase (decrease) in due to other funds	(80,157)	(51,987)	(132,144)
Transfers in	250,000	159,212	409,212
Transfers out	(607,371)	(99,999)	(707,370)
Net cash provided (used) by noncapital financing activities	<u>(437,528)</u>	<u>87,383</u>	<u>(350,145)</u>
Cash flow from capital and related financing activities:			
Principal payments on long-term debt	(668,741)	(290,000)	(958,741)
Capital expenditures	(478,371)	(49,210)	(527,581)
Capital grant	132,784	-	132,784
Interest and fiscal agent charges	(197,662)	(202,907)	(400,569)
Net cash (used) by capital and related financing activities	<u>(1,211,990)</u>	<u>(542,117)</u>	<u>(1,754,107)</u>
Cash flow from investing activities:			
Interest received	2,314	2,153	4,467
Purchase of investments	(251,873)	(489,402)	(741,275)
Net cash provided by investing activities	<u>(249,559)</u>	<u>(487,249)</u>	<u>(736,808)</u>
Net increase (decrease) in cash and cash equivalents	(420,690)	(160,118)	(580,808)
Cash and cash equivalents, October 1, 2016	<u>585,051</u>	<u>1,391,902</u>	<u>1,976,953</u>
Cash and cash equivalents, September 30, 2017	<u>\$ 164,361</u>	<u>\$ 1,231,784</u>	<u>\$ 1,396,145</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ 680,030	\$ 573,799	\$ 1,253,829
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	600,367	202,486	802,853
(Increase) decrease in accounts receivable	(4,931)	-	(4,931)
(Increase) decrease in supplies inventory	521	-	521
Increase (decrease) in accounts payable	198,621	40,715	239,336
Increase (decrease) in accrued liabilities	11,978	1,466	13,444
Increase (decrease) in compensated absences	(10,392)	(663)	(11,055)
Increase (decrease) in net pension balances	4,312	(35,938)	(31,626)
Increase (decrease) in customer meter deposits	(2,119)	-	(2,119)
Total adjustments	<u>798,357</u>	<u>208,066</u>	<u>1,006,423</u>
Net cash provided by operating activities:	<u>\$ 1,478,387</u>	<u>\$ 781,865</u>	<u>\$ 2,260,252</u>

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Richland Hills is a municipal corporation governed by an elected mayor and five-member council. The financial statements of the City of Richland Hills, Texas ("City") include all governmental activities, organizations, and functions for which the City exercises significant oversight responsibility. The criteria considered in determining governmental activities to be reported within the City's financial statements included: the City's accountability for the entity's fiscal matters; the scope of public service of the entity; and the nature of any special financing relationships which may exist between the City and a given governmental entity. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The City has two blended component units. 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 .125 percent sales tax approved by the voters. The corporation is reported as a Special Revenue Fund.

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures generally are recorded when the related fund liability is incurred, however, debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized when payment is due.

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

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

The City reports the following major governmental fund:

The **General Fund** is the government's primary operating fund. It accounts for all resources used to finance 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 that accounts for the proceeds of a .325 percent sales tax and crime reduction programs.

The **Link Activity Center** is a capital project fund that accounts for the construction of the new activity center.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

Proprietary funds, distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund and drainage utility fund are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, 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 are considered cash and cash equivalents for the statement of cash flows.

2. *Receivables and Payables*

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

3. *Property Tax*

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. *Inventory*

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

5. *Capital Assets*

Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the applicable governmental activities or business-type activities columns in the government-wide financial statements and in the proprietary funds financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays allowance for capital assets and improvements are capitalized in the proprietary funds as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities and proprietary funds is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the water and sewer fund and drainage utility fund during the current fiscal year was \$374,363. Of this amount \$0 was included as part of the cost of capital assets under construction in connection with water and sewer construction projects.

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

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

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

6. *Compensated Absences*

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Long-term Obligations

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

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

8. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported by the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

9. Fund Balance – Governmental Funds

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 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 not spendable in form (such as prepaids or inventory) or are legally or contractually required to be maintained intact (such as endowment funds).

Restricted: This classification includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed: This classification includes amounts constrained to specific purposes by a government itself, using its highest decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint (City Council ordinance).

Assigned: This classification includes amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. The City Council has delegated the authority to assign fund balance to the City Manager by resolution.

Unassigned – All amounts not included in other classifications.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted fund balance 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 first spent out of committed funds, then assigned, and finally unassigned as needed.

10. *Net Position*

Net position represents the difference between assets and liabilities. Net position net investment in capital assets consists 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 is reported as restricted when there are limitations imposed its 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.

The following is a reconciliation of restricted fund balance reported in the governmental fund financial statements to restricted net position of the governmental activities reported in the government-wide financial statements.

Restricted fund balance (Exhibit C-1)	\$ 2,406,826
Adjustments	
Deferred property tax revenue restricted for debt service	7,933
Restricted for capital projects	<u>(601,870)</u>
Total adjustments	<u>(593,937)</u>
Restricted net position (Exhibit A-1)	<u><u>\$ 1,812,889</u></u>

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 amount of assets and liabilities and disclosure 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.

NOTE 2: DEPOSITS AND INVESTMENTS

Substantially all operating cash and investments are maintained in consolidated cash and investment accounts. Investment income relating to consolidated investments is allocated to the individual funds monthly based on the funds' pro-rata share of total cash and investments.

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

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 references 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.

TexPool

The City invests idle funds in the Texas Local Government Investment Pool (TexPool). TexPool is a local government investment pool organized under the authority of the Interlocal Cooperation Act Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. All investments of the Pool are stated at amortized cost, which in most cases approximates the market value of the securities. The objective of TexPool is to maintain a stable \$1.00 net asset value; however, the \$1.00 net asset value is not guaranteed or insured by the State of Texas.

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

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's funds are required to be deposited and invested under the terms of a depository contract. The City's deposits are required to be collateralized with securities held by the pledging institution's trust department or agent in the City's name. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") Insurance. At September 30, 2017, the City's deposits were covered by FDIC Insurance or collateralized with securities held by the bank's agent in the City's name.

Credit Risk– Investments

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

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

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.

The City’s investments at September 30, 2017 included the following:

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Percentage of Total Investments</u>	<u>Cost</u>	<u>Fair Value</u>
Investment in Tex-Pool	AAAm	34 days	100.00%	\$ 2,673,613	\$ 2,673,613
				<u>\$ 2,673,613</u>	<u>\$ 2,673,613</u>
 <u>Reconciliation to financial statements</u>					
Investments from Exhibit A-1				\$ 3,011,489	
Less: Certificates of Deposit				(337,876)	
				<u>\$ 2,673,613</u>	

NOTE 3: RESTRICTED ASSETS

Certain proceeds of the City’s enterprise fund 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:

Cash and cash equivalents	
Customer Deposits	\$ 124,810
Investments	
Interest and sinking funds	40,240
Total restricted assets	<u>\$ 165,050</u>

NOTE 4: RECEIVABLES

All accounts and property tax receivables are shown net of an allowance for uncollectibles. Water and sewer accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectible accounts of \$660,452. The property tax receivable allowance of \$91,625 and \$11,902 for the general fund and debt service fund respectively, and is equal to 60% of outstanding delinquent property taxes at September 30. The fines and fees receivable in the general fund is reported net of an allowance of \$1,206,533 which is 75% of the adjusted receivable. The EMS charges receivable in the general fund is reported net of an allowance of \$261,921 which is 70% of the outstanding receivable. These allowances are based upon historical experience. Receivables as of year-end for the City's major and nonmajor funds, including the applicable allowances for uncollectible accounts are as follows:

	General	Crime Control District	Enterprise Funds	Nonmajor Funds	Total
Receivables:					
Property tax	\$ 152,708	\$ -	\$ -	\$ 19,836	\$ 172,544
Sales tax	552,110	203,049	-	89,464	844,623
Franchise taxes	291,646	-	-	-	291,646
Accounts	1,990,834	-	1,224,686	24,411	3,239,931
Earned and Unbilled Services	-	-	217,716	-	217,716
Intergovernmental	9,775	-	40,295	50,730	100,800
Other	-	-	-	23,200	23,200
Gross Receivables	2,997,073	203,049	1,482,697	207,641	4,890,460
Less: Allowance for Uncollectibles	(1,560,079)	-	(660,452)	(11,902)	(2,232,433)
Net Total Receivables	\$ 1,436,994	\$ 203,049	\$ 822,245	\$ 195,739	\$ 2,658,027

NOTE 5: 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 or fund balance that applies to a future period(s) and this, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only two items that qualify in this category, deferred loss on refunding and deferred outflows related to pensions reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resource (revenue) until that time. The city has two types of items in this category, unavailable revenues for governmental funds and deferred inflows related to pensions in the government-wide statement of net position and proprietary funds statements.

CITY OF RICHLAND HILLS, TEXAS
Notes to Financial Statements
September 30, 2017

NOTE 5: DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (Continued)

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	General	Nonmajor	Total Governmental Funds
Deferred property taxes receivable	\$ 61,084	\$ 7,933	\$ 69,017
Deferred franchise tax receivable	256,802	-	256,802
Deferred fines and fees receivable	402,177	-	402,177
Deferred EMS charges receivable	112,251	-	112,251
Deferred intergovernmental receivable	-	4,148	4,148
Total deferred inflows of resources for governmental funds	<u>\$ 832,314</u>	<u>\$ 12,081</u>	<u>\$ 844,395</u>

NOTE 6: INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS

The composition of interfund balances for the City's individual major funds and nonmajor funds as of September 30, 2017, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other Governmental Funds	\$ 23,996
General	Crime Control District	201,276
Crime Control District	General	993
Total Governmental Funds		<u>\$ 226,265</u>

The General fund paid expenditures for the other governmental funds.

The composition of interfund transfers for the City's individual major funds and nonmajor funds at September 30, 2017, is as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Crime Control District	\$ 33,000	Operating Transfer
General Fund	Other Governmental Funds	52,000	Operating Transfer
General Fund	Water and Sewer	448,159	Operating Transfer
General Fund	Drainage Utility	99,999	Operating Transfer
Link Activity Center	General Fund	1,335,000	Capital Projects
Link Activity Center	Crime Control District	150,000	Capital Projects
Link Activity Center	Other Governmental Funds	340,000	Capital Projects
Other Governmental Funds	General Fund	15,000	Operating Transfer
Other Governmental Funds	Crime Control District	25,000	Grant Match
Total Governmental Funds Transfers In		<u>\$ 2,498,158</u>	
Drainage Utility	Water and Sewer Fund	\$ 159,212	Debt Service
Water and Sewer	General Fund	250,000	Operating Transfer
Total Enterprise Funds Transfers In		<u>\$ 409,212</u>	

NOTE 7: CAPITAL ASSETS

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

Governmental activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Non - Depreciable Assets:				
Land	\$ 830,414	\$ -	\$ -	\$ 830,414
Construction in Progress	4,567,190	52,879	(4,103,256)	516,813
Total non-depreciable assets	<u>5,397,604</u>	<u>52,879</u>	<u>(4,103,256)</u>	<u>1,347,227</u>
Depreciable Assets:				
Buildings	2,530,292	10,765,003	(222,154)	13,073,141
Improvements other than buildings	1,949,750	2,590,812	-	4,540,562
Machinery and equipment	4,224,789	1,750,452	(743,643)	5,231,598
Infrastructure	22,806,105	438,827	-	23,244,932
Total capital assets being depreciated	<u>31,510,936</u>	<u>15,545,094</u>	<u>(965,797)</u>	<u>46,090,233</u>
Accumulated Depreciation:				
Buildings	(1,460,244)	(314,374)	222,154	(1,552,464)
Improvements other than buildings	(1,069,132)	(369,982)	-	(1,439,114)
Machinery and equipment	(3,352,252)	(417,306)	743,643	(3,025,915)
Infrastructure	(15,804,837)	(460,823)	-	(16,265,660)
Total accumulated depreciation	<u>(21,686,465)</u>	<u>(1,562,485)</u>	<u>965,797</u>	<u>(22,283,153)</u>
Governmental activities capital assets, net	<u>\$ 15,222,075</u>	<u>\$ 14,035,488</u>	<u>\$ (4,103,256)</u>	<u>\$ 25,154,307</u>

NOTE 7: CAPITAL ASSETS - (Continued)

Business-type activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Non - Depreciable Assets:				
Land	\$ 256,267	\$ -	\$ -	\$ 256,267
Total non-depreciable assets	<u>256,267</u>	<u>-</u>	<u>-</u>	<u>256,267</u>
Depreciable Assets:				
Buildings	174,022	-	-	174,022
Improvements other than buildings	7,768,246	24,083	-	7,792,329
Water and sewer systems	20,610,211	462,055	-	21,072,266
Machinery and equipment	1,380,437	41,443	(363,743)	1,058,137
Total capital assets being depreciated	<u>29,932,916</u>	<u>527,581</u>	<u>(363,743)</u>	<u>30,096,754</u>
Accumulated Depreciation:				
Buildings	(170,747)	(632)	-	(171,379)
Improvements other than buildings	(597,508)	(197,838)	-	(795,346)
Water and sewer systems	(7,850,349)	(510,975)	-	(8,361,324)
Machinery and equipment	(1,042,455)	(93,408)	363,743	(772,120)
Total accumulated depreciation	<u>(9,661,059)</u>	<u>(802,853)</u>	<u>363,743</u>	<u>(10,100,169)</u>
Business-type activities capital assets, net	<u>\$ 20,528,124</u>	<u>\$ (275,272)</u>	<u>\$ -</u>	<u>\$ 20,252,852</u>

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

Governmental activities:	
General government	\$ 52,720
Public safety	328,342
Public works	472,757
Culture and recreation	278,159
Parks and beautification	430,507
Total depreciation expense - governmental activities	<u>\$ 1,562,485</u>
Business-type activities:	
Water and sewer	\$ 600,367
Drainage Utility	202,486
Total depreciation expense - business-type activities	<u>\$ 802,853</u>

NOTE 8: LONG-TERM LIABILITIES

A. Bonds Payable

Governmental Activities

The City has issued certificates of obligation and general obligation bonds for the construction of large capital projects. The contractual obligation bonds were issued to finance equipment and improvements other than buildings. Bonds outstanding are as follows:

	Interest Rate	Maturity	Original Issue	Amount Outstanding
Governmental activities:				
Certificates of obligation				
2016 Tax and Revenue	2.00 - 3.13%	8/15/2026	\$ 4,705,000	\$ 4,585,000
Total certificates of obligation			<u>4,705,000</u>	<u>4,585,000</u>
General obligation bonds				
2016 General Obligation	2.00% - 3.38%	8/15/2046	8,770,000	8,770,000
Total general obligation bonds			<u>8,770,000</u>	<u>8,770,000</u>
Contractual obligation bonds				
2007 PPFCO	3.83%	8/15/2022	535,000	215,000
2012 PPFCO	3.66%	2/15/2019	415,000	82,000
Total contractual obligation bonds			<u>950,000</u>	<u>297,000</u>
Total governmental activities			<u>\$ 14,425,000</u>	<u>\$ 13,652,000</u>

The annual debt service requirements to maturity for the governmental activities bonds outstanding as of September 30, 2017, are as follows:

	Governmental Activities					
	Certificates of Obligation			General Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 175,000	\$ 158,475	\$ 333,475	\$ 110,000	\$ 301,363	\$ 411,363
2019	180,000	154,975	334,975	110,000	299,162	409,162
2020	180,000	151,375	331,375	150,000	295,863	445,863
2021	190,000	145,975	335,975	155,000	292,862	447,862
2022	195,000	136,475	331,475	160,000	288,213	448,213
2023-2027	1,090,000	580,550	1,670,550	1,175,000	1,307,613	2,482,613
2028-2032	1,335,000	340,100	1,675,100	1,435,000	1,043,863	2,478,863
2033-2037	1,240,000	97,306	1,337,306	1,675,000	796,631	2,471,631
2038-2042	-	-	-	1,970,000	512,031	2,482,031
2043-2047	-	-	-	1,830,000	156,937	1,986,937
Total	<u>\$ 4,585,000</u>	<u>\$ 1,765,231</u>	<u>\$ 6,350,231</u>	<u>\$ 8,770,000</u>	<u>\$ 5,294,538</u>	<u>\$ 14,064,538</u>

NOTE 8: LONG-TERM LIABILITIES (Continued)

		Governmental Activities		
		Contractual Obligation		
		Principal	Interest	Total
	2018	\$ 80,000	\$ 9,383	\$ 89,383
	2019	82,000	7,087	89,087
	2020	45,000	5,164	50,164
	2021	45,000	3,442	48,442
	2022	45,000	1,721	46,721
	Total	<u>\$ 297,000</u>	<u>\$ 26,797</u>	<u>\$ 323,797</u>

Business-type Activities

The City's enterprise funds also issue certificates of obligation for the construction of large capital projects. Bonds outstanding are as follows:

	Interest Rate	Maturity	Original Issue	Amount Outstanding
Business-type activities				
Certificates of obligation				
2007 Tax and Revenue	3.60% - 4.00%	8/15/2027	\$ 2,110,000	\$ 1,250,000
2010 Tax and Revenue	3.00% - 4.13%	8/15/2030	2,750,000	2,040,000
2011 Tax and Revenue Refunding	2.00% - 2.50%	8/15/2022	3,110,000	850,000
2013 Tax and Revenue	3.00% - 4.50%	8/15/2033	5,370,000	4,940,000
2015 Tax and Revenue	2.56%	8/15/2030	1,030,000	920,000
Total certificates of obligation			<u>14,370,000</u>	<u>10,000,000</u>
Total business-type activities			<u>\$ 14,370,000</u>	<u>\$ 10,000,000</u>

The annual debt service requirements to maturity for the business-type activities bonds outstanding as of September 30, 2017, are as follows:

		Business-type Activities		
		Certificates of Obligation		
		Principal	Interest	Total
	2018	\$ 920,000	\$ 359,296	\$ 1,279,296
	2019	640,000	329,460	969,460
	2020	670,000	305,698	975,698
	2021	690,000	280,660	970,660
	2022	715,000	254,858	969,858
	2023-2027	3,370,000	923,361	4,293,361
	2028-2032	2,595,000	352,863	2,947,863
	2033-2037	400,000	16,000	416,000
	Total	<u>\$ 10,000,000</u>	<u>\$ 2,822,196</u>	<u>\$ 12,822,196</u>

NOTE 8: LONG-TERM LIABILITIES (Continued)

B. Capital Leases Payable

Governmental Activities

On March 6, 2013, the City entered into a lease-purchase agreement for radio equipment. The lease is due in 5 annual payments of \$11,273 beginning March 1, 2014. The interest rate is 6.05%

On October 28, 2016, the City entered into a \$232,379 lease-purchase agreement for an ambulance. The lease is due in 5 annual payments of \$49,959 beginning May 1, 2017. The interest rate is 2.947%.

Business-type Activities

On February 9, 2016, the City entered into a \$341,945 lease-purchase agreement for a sewer truck. The lease is due in 5 annual payments of \$74,603 beginning June 10, 2016. The interest rate is 3.94%.

The future minimum lease purchase commitments are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2018	\$ 61,232	\$ 74,603
2019	49,959	74,603
2020	49,959	74,603
2021	49,959	-
Total debt service requirements	<u>211,109</u>	<u>223,809</u>
Less: Interest Portion	14,806	16,828
Debt Principal	<u>\$ 196,303</u>	<u>\$ 206,981</u>

Assets under lease and the related accumulated depreciation are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Machinery and equipment	\$ 262,483	\$ 341,945
Less: Accumulated Depreciation	(33,272)	(136,778)
Net	<u>\$ 229,211</u>	<u>\$ 205,167</u>

NOTE 8: LONG-TERM LIABILITIES (Continued)

C. Changes in long-term liabilities

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2017.

	9/30/2016	Additions	Retirements	9/30/2017	Due Within One Year
Governmental Activities.:					
Certificates of obligation	\$ 4,705,000	\$ -	\$ 120,000	\$ 4,585,000	\$ 175,000
General obligation bonds	8,770,000	-	-	8,770,000	110,000
Contractual obligation bonds	375,000	-	78,000	297,000	80,000
Premiums on bonds	623,510	-	58,138	565,372	41,792
Capital leases	20,653	232,379	56,729	196,303	55,109
Compensated Absences	280,389	238,311	261,303	257,397	51,479
Net Pension Liability	3,117,513	-	159,451	2,958,062	-
Total Governmental Activities	17,892,065	470,690	733,621	17,629,134	513,380
Business-type Activities:					
Certificates of obligation	10,895,000	-	895,000	10,000,000	920,000
Premiums on bonds	441,021	-	32,150	408,871	32,149
Capital Lease Payable	270,722	-	63,741	206,981	66,298
Compensated Absences	58,849	34,264	45,318	47,795	9,559
Net Pension Liability	759,027		164,714	594,313	-
Total Business-type Activities	12,424,619	34,264	1,200,923	11,257,960	1,028,006
Total Long-Term Debt	\$30,316,684	\$ 504,954	\$ 1,934,544	\$28,887,094	\$ 1,541,386

Compensated absences

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

NOTE 9: RISK MANAGEMENT

The City is exposed to various risk 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 general liability, and property insurance is underwritten through a self-insurance fund for Texas political subdivisions. Premiums are paid to the carrier, and they administer all claims. The City is also insured for workers' compensation claims through a self-insurance fund for Texas political subdivisions. Rates are determined by the state, and the pool assigns discount rates to premiums based upon the City's claims history. The City retains, as a risk, only the deductible amount of each policy.

NOTE 9: RISK MANAGEMENT (Continued)

The City has maintained insurance coverage in all major categories of risk comparable to that of the prior year with no reduction in coverage. The amount of settlements during the past three years has not exceeded the insurance coverage.

NOTE 10: DEFERRED COMPENSATION PLAN

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

NOTE 11: DEFINED BENEFIT PENSION PLANS

A. Plan Description

The City participates as one of 872 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 agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

B. 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 one 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.

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

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

	Plan Year 2017
Employee deposit rate	7%
Matching ratio (city to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI

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

Inactive employees or beneficiaries currently receiving benefits	87
Inactive employees entitled to but not yet receiving benefits	101
Active employees	79
	267

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated 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 16.14% and 16.16% in calendar years 2017 and 2016, respectively. The city's contributions to TMRS for the year ended September 30, 2017, were \$711,966, and were equal to the required contributions.

D. Net Pension Liability

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

Actuarial Assumptions:

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

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

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

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 Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. For cities with fewer than twenty employees, more conservative methods and assumptions are used. These rates are projected on a fully generational basis by scale BB to account to future mortality improvements. For disable annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016, valuation were based on results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. 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 expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternate asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	<u>100.0%</u>	

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2015	\$ 29,007,967	\$ 25,131,427	\$ 3,876,540
Changes for the year:			
Service cost	768,050	-	768,050
Interest	1,944,232	-	1,944,232
Change of benefit terms	-	-	-
Difference between expected and actual experience	(390,269)	-	(390,269)
Changes of assumptions	-	-	-
Contributions - employer	-	675,283	(675,283)
Contributions - employee	-	292,511	(292,511)
Net investment income	-	1,698,601	(1,698,601)
Benefit payments, including refunds of employee contributions	(1,177,105)	(1,177,105)	-
Administrative expense	-	(19,182)	19,182
Other changes	-	(1,034)	1,034
Net changes	1,144,908	1,469,074	(324,166)
Balance at 12/31/2016	<u>\$ 30,152,875</u>	<u>\$ 26,600,501</u>	<u>\$ 3,552,374</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, 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 (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase Discount Rate (7.75%)
City's Net Pension Liability	\$ 7,708,377	\$ 3,552,374	\$ 155,812

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

Pension Plan Fiduciary Net Position

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

D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2017, the City recognized pension expense of \$807,992.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 288,945
Changes in actuarial assumptions	29,343	-
Difference between projected and actual investment earnings.	1,163,008	-
Contributions subsequent to the measurement date	540,120	-
Total	<u>\$ 1,732,471</u>	<u>\$ 288,945</u>

\$540,120 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30:	
2017	\$ 234,025
2018	322,884
2019	346,943
2020	(446)
2021	-
Thereafter	-
Total	<u>\$ 903,406</u>

NOTE 12. OTHER POST EMPLOYMENT BENEFITS

Supplemental Death Benefits Fund

The City participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and

NOTE 12. OTHER POST EMPLOYMENT BENEFITS (Continued)

retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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

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

The City's contributions to the TMRS SDBF for the years ended 2017, 2016 and 2015 were \$10,461, \$11,665 and \$12,084, respectively, which equaled the required contributions each year.

NOTE 13: CONTINGENT LIABILITIES

A. Federal and State Programs

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

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

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

B. Litigation

The City has claims or lawsuits arising from the normal course of business. Although the outcome of these claims and lawsuits is not presently determinable, it is the opinion of City management and legal counsel that they will not have a material adverse effect on the financial condition of the City.

NOTE 14: CONTRACTS AND COMMITMENTS

A. Wastewater Treatment

On April 18, 2017, the City Council approved a 20 year agreement with the City of Fort Worth whereby Fort Worth agreed to provide wastewater treatment to the City. The agreement allows the City to connect its wastewater system to the Fort Worth waste water system. Charges to the City are based upon cost-of-service rate studies performed by independent utility rate consultants. This contract has been amended various times during the years. Charges during the year for the treatment of wastewater by the City of Fort Worth were \$372,544.

NOTE 14: CONTRACTS AND COMMITMENTS (Continued)

B. Water Treatment

The City entered into a 20 year agreement with the City of Fort Worth effective January 1, 2011 through September 30, 2031 whereby Fort Worth agreed to provide treated water to the City. Rates to purchase the water will be based upon a cost-of-service rate study conducted every three years by independent utility rate consultants. Charges during the year for the purchase of treated water from the City of Fort Worth were \$626,760.

C. Transportation of Sewerage

On May 13, 1986, the City entered into an agreement with the City of Hurst to allow sewerage to be metered in Hurst then transported through the Trinity River Authority Calloway Branch sewer line to the city of Fort Worth. Charges to the City are based upon current sewer rates charged to Hurst by the Trinity River Authority and a \$75.00 per month meter service charge. Charges during the year from the City of Hurst were \$149,004.

D. Transportation

The City has been a member of the Fort Worth Transportation Authority and the price of membership is a ½ cent sales tax within Richland Hills. In November 2016 voters of the City voted to not continue participation in the Fort Worth Transportation Authority. State law allows the transit authority to levy an exit fee and the Texas State Comptroller has certified an exit fee of \$3,774,822. The transit authority will continue to collect the ½ cent sales tax until the exit fee is satisfied. The City can reallocate the sales tax for its own purposes once the exit fee has been satisfied. The City has contracted with a third party to provide transportation services in the City.

NOTE 15: TAX ABATEMENTS

The City is authorized to provide assistance for economic development under Chapter 380 of the Texas Local Government Code. The economic development must serve the purpose of promoting state or local economic development by stimulating business or commercial activity within the City. The assistance may be in the form of loans, grants, tax rebates and use of City personnel and services. The City has entered into Chapter 380 Economic Development Program Agreements with companies and has agreed to provide grants and rebates of hotel occupancy tax or sales tax.

Type of Business	Purpose	Tax Abated	Percent Abated	Amount Abated
Hotels	Construct and operate hotel	Hotel occupancy	40%	90,671
Commercial	Construct new facility	Sales tax	1/8 cent	66,782
Commercial	Construct new facility	Sales tax	50% of 1 cent	7,330
Grocery Store	Construct new facility and operate grocery store	Sales tax	35% of 1 cent	21,228

NOTE 16: SUBSEQUENT EVENTS

October 25, 2017, the City issued \$1,525,000 General Obligation Refunding Bonds, Series 2017 to refund \$1,250,000 Combination Tax & Waterworks & Sewer Revenue Certificates of Obligation, Series 2007 of the business-type activities and \$215,000 Public Property Financial Contractual Obligation, Series 2007 of the governmental activities. The City's debt service payments will be reduced by \$114,777 as a result of the refunding.

Subsequent events were evaluated through February 12, 2018, which is the date the financial statements were available to be issued.

NOTE 17: NEW PRONOUNCEMENTS

The Government Accounting Standards Board has issued several statements that will be effective in future years. The City has not yet determined the effect these statements will have on its financial reporting.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* replaces the requirements of Statements No. 45 and No. 57 for accounting and financial reporting of postemployment benefits other than pensions. This Statement is effective for fiscal years beginning after June 15, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF RICHLAND HILLS, TEXAS
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 2,367,156	\$ 2,367,156	\$ 2,240,602	\$ (126,554)
Sales	2,501,413	2,501,413	2,980,714	479,301
Franchise	548,939	548,939	527,855	(21,084)
Fines and forfeitures	416,000	418,080	387,670	(30,410)
Licenses and permits	117,295	117,295	168,640	51,345
Charges for service	448,280	446,200	407,685	(38,515)
Intergovernmental revenue	56,005	56,005	38,914	(17,091)
Investment earnings	1,106	1,106	15,498	14,392
Other revenue	69,800	69,800	69,876	76
Total revenues	<u>6,525,994</u>	<u>6,525,994</u>	<u>6,837,454</u>	<u>311,460</u>
EXPENDITURES				
Current				
General government	1,699,250	2,102,450	2,102,399	51
Public safety	3,861,496	3,505,395	3,457,636	47,759
Public works	188,762	185,376	173,764	11,612
Culture and recreation	601,741	734,041	726,122	7,919
Parks and beautification	60,132	135,132	134,826	306
Community development	464,628	402,483	381,325	21,158
Capital outlay	457,328	218,430	423,379	(204,949)
Debt service:				
Principal	-	46,706	56,729	(10,023)
Interest and fiscal agent charges	-	3,324	4,502	(1,178)
Total expenditures	<u>7,333,337</u>	<u>7,333,337</u>	<u>7,460,682</u>	<u>(127,345)</u>
EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES				
	<u>(807,343)</u>	<u>(807,343)</u>	<u>(623,228)</u>	<u>184,115</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of general capital assets	45,000	45,000	61,519	16,519
Capital lease	-	-	232,379	232,379
Transfers in	729,515	729,515	633,158	(96,357)
Transfers out	-	(1,600,000)	(1,600,000)	-
Total other financing sources (uses)	<u>774,515</u>	<u>(825,485)</u>	<u>(672,944)</u>	<u>152,541</u>
NET CHANGE IN FUND BALANCES	<u>(32,828)</u>	<u>(1,632,828)</u>	<u>(1,296,172)</u>	<u>336,656</u>
FUND BALANCE, OCTOBER 1, 2016	<u>3,987,538</u>	<u>3,987,538</u>	<u>3,987,538</u>	<u>-</u>
FUND BALANCE, SEPTEMBER 30, 2017	<u>\$ 3,954,710</u>	<u>\$ 2,354,710</u>	<u>\$ 2,691,366</u>	<u>\$ 336,656</u>

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

CITY OF RICHLAND HILLS, TEXAS
Crime Control District
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Sales	\$ 937,500	\$ 937,500	\$ 1,186,765	\$ 249,265
Investment earnings	105	105	695	590
Total revenues	<u>937,605</u>	<u>937,605</u>	<u>1,187,460</u>	<u>249,855</u>
EXPENDITURES				
Current				
Public safety	917,352	917,352	951,322	(33,970)
Capital outlay	-	-	161,322	(161,322)
Total expenditures	<u>917,352</u>	<u>917,352</u>	<u>1,112,644</u>	<u>(195,292)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>20,253</u>	<u>20,253</u>	<u>74,816</u>	<u>54,563</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(33,000)	(208,000)	(208,000)	-
Total other financing sources (uses)	<u>(33,000)</u>	<u>(208,000)</u>	<u>(208,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(12,747)	(187,747)	(133,184)	54,563
FUND BALANCE, OCTOBER 1, 2016	<u>566,769</u>	<u>566,769</u>	<u>566,769</u>	<u>-</u>
FUND BALANCE, SEPTEMBER 30, 2017	<u>\$ 554,022</u>	<u>\$ 379,022</u>	<u>\$ 433,585</u>	<u>\$ 54,563</u>

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

EXHIBIT E-3

CITY OF RICHLAND HILLS, TEXAS
Schedule of Changes in Net Pension Liability and Related Ratios
Last 10 Years (will ultimately be displayed)

	2014	2015	2016
Total Pension Liability			
Service Cost	\$ 687,735	\$ 747,466	\$ 768,050
Interest (on the Total Pension Liability)	1,871,624	1,924,741	1,944,232
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(712,052)	(370,657)	\$ (390,269)
Change of assumptions	-	212,735	-
Benefit payments, including refunds of employee contributions	(978,956)	(1,257,766)	(1,177,105)
Net Change in Total Pension Liability	868,351	1,256,519	1,144,908
Total Pension Liability - Beginning	26,883,097	27,751,448	29,007,967
Total Pension Liability - Ending	<u>\$ 27,751,448</u>	<u>\$ 29,007,967</u>	<u>\$ 30,152,875</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 721,134	\$ 736,648	\$ 675,283
Contributions - Employee	284,230	291,329	292,511
Net Investment Income	1,371,030	37,404	1,698,601
Benefit payments, including refunds of employee contributions	(978,956)	(1,257,766)	(1,177,105)
Administrative Expense	(14,314)	(22,782)	(19,182)
Other	(1,177)	(1,125)	(1,034)
Net Change in Plan Fiduciary Net Position	1,381,947	(216,292)	1,469,074
Plan Fiduciary Net Position - Beginning	23,965,772	25,347,719	25,131,427
Plan Fiduciary Net Position - Ending	<u>\$ 25,347,719</u>	<u>\$ 25,131,427</u>	<u>\$ 26,600,501</u>
Net Pension Liability - Ending	<u>\$ 2,403,729</u>	<u>\$ 3,876,540</u>	<u>\$ 3,552,374</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	91.34%	86.64%	88.22%
Covered Employee Payroll	\$ 4,060,434	\$ 4,161,836	\$ 4,178,724
Net Pension Liability as a Percentage of Covered Employee Payroll	59.20%	93.14%	85.01%

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

EXHIBIT E-4

CITY OF RICHLAND HILLS, TEXAS
Schedule of Contributions
Last 10 Fiscal Years (will ultimately be displayed)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially Determined Contribution	\$ 701,213	\$ 722,326	\$ 713,791	\$ 711,966
Contributions in relation to the actuarially determined contribution	<u>\$ 701,213</u>	<u>\$ 722,326</u>	<u>\$ 713,791</u>	<u>\$ 711,966</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 4,013,063	\$ 4,145,235	\$ 4,303,832	\$ 4,409,872
Contributions as a percentage of covered employee payroll	17.47%	17.43%	16.59%	16.14%

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

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Crime Control District, Court Building Security Special Revenue Fund, Richland Hills Development Corporation Special Revenue Fund, Court Technology Special Revenue Fund, Red Light Camera Enforce Special Revenue Fund, Hotel Occupancy Tax Special Revenue Fund, Crime Victim Liaison Special Revenue Fund, Debt Service Fund, Road and Street Capital Project Fund and Oil & Gas Lease Capital Projects Fund. All annual appropriations lapse at fiscal year end.

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

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

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

B. Excess of Expenditures Over Appropriations

The following funds had actual expenditures that exceeded appropriations.

<u>Fund</u>	<u>Amount</u>	<u>Explanation</u>
General Fund	127,345	Ambulance purchased with capital lease
Crime Control District	195,292	Radio system
Court Technology	5,353	Software maintenance
Red Light Camera Enforce	12,966	Fees paid to State of Texas
Debt Service Fund	437,375	Interest

C. Schedule of Contributions

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization	
Period	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year.

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

THIS PAGE INTENTIONALLY LEFT BLANK

SPECIAL REVENUE FUNDS

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

Court Building Security Fund is used to account for the City's share of fines to be used to enhance building security for municipal court.

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

Court Technology Fund is used to account for the City's share of fines to be used for improvements to municipal court technology.

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

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

The **Crime Victim Liaison Fund** is used to account for expenses of the crime victim liaison cops grant.

DEBT SERVICE FUND

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

CAPITAL PROJECT FUNDS

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

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

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

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

The **2011 PPF CO 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.

The **Baker Boulevard Projects** fund is used to account for the receipts of the Baker Boulevard TIF zone and the green ribbon and intersection projects.

CITY OF RICHLAND HILLS, TEXAS
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2017

	Special Revenue						
	Court Building Security	Richland Hills Development Corporation	Court Technology	Red Light Camera Enforce	Hotel Occupancy Tax	Crime Victim Liaison	Total Special Revenue Funds
ASSETS							
Cash	\$ -	\$ 49,649	\$ -	\$ -	\$ 2	\$ -	\$ 49,651
Investments	176	-	1,006	104,011	270,682	-	375,875
Receivables (Net of allowances for uncollectibles)							
Property tax	-	-	-	-	-	-	-
Sales tax	-	68,238	-	-	21,226	-	89,464
Accounts	-	-	-	24,411	-	-	24,411
Intergovernmental	-	-	-	-	-	46,582	46,582
Other	-	-	-	-	-	-	-
Total assets	\$ 176	\$ 117,887	\$ 1,006	\$ 128,422	\$ 291,910	\$ 46,582	\$ 585,983
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ 101	\$ 53,786	\$ 8,491	\$ 851	\$ 63,229
Accrued liabilities	-	-	-	499	-	1,798	2,297
Due to other funds	-	-	-	-	-	23,996	23,996
Total liabilities	-	-	101	54,285	8,491	26,645	89,522
Deferred inflows of resources							
Deferred revenue	-	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-	-	-
Fund Balance:							
Restricted for:							
Public Safety	176	-	905	74,137	-	19,937	95,155
Economic Development	-	117,887	-	-	283,419	-	401,306
Debt Service	-	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Total fund balances	176	117,887	905	74,137	283,419	19,937	496,461
Total liabilities, deferred inflows of resources and fund balances	\$ 176	\$ 117,887	\$ 1,006	\$ 128,422	\$ 291,910	\$ 46,582	\$ 585,983

EXHIBIT F-1

Capital Projects								Total
Debt Service	Road and Street	Oil & Gas Lease	Capital Projects	2011 PFFCO	Baker Boulevard Projects	Total Capital Projects Funds	Total Nonmajor Funds	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,651	
237,810	19,692	179,716	2,711	24,760	336,866	563,745	1,177,430	
7,934	-	-	-	-	-	-	7,934	
-	-	-	-	-	-	-	89,464	
-	-	-	-	-	-	-	24,411	
-	-	-	-	-	4,148	4,148	50,730	
-	-	23,200	-	-	-	23,200	23,200	
<u>\$ 245,744</u>	<u>\$ 19,692</u>	<u>\$ 202,916</u>	<u>\$ 2,711</u>	<u>\$ 24,760</u>	<u>\$ 341,014</u>	<u>\$ 591,093</u>	<u>\$ 1,422,820</u>	
\$ -	\$ -	\$ 823	\$ -	\$ -	\$ 5,399	\$ 6,222	\$ 69,451	
-	-	-	-	-	-	-	2,297	
-	-	-	-	-	-	-	23,996	
-	-	823	-	-	5,399	6,222	95,744	
7,933	-	-	-	-	4,148	4,148	12,081	
7,933	-	-	-	-	4,148	4,148	12,081	
-	-	-	-	-	-	-	95,155	
-	-	-	-	-	-	-	401,306	
237,811	-	-	-	-	-	-	237,811	
-	19,692	202,093	-	24,760	331,467	578,012	578,012	
-	-	-	2,711	-	-	2,711	2,711	
<u>237,811</u>	<u>19,692</u>	<u>202,093</u>	<u>2,711</u>	<u>24,760</u>	<u>331,467</u>	<u>580,723</u>	<u>1,314,995</u>	
<u>\$ 245,744</u>	<u>\$ 19,692</u>	<u>\$ 202,916</u>	<u>\$ 2,711</u>	<u>\$ 24,760</u>	<u>\$ 341,014</u>	<u>\$ 591,093</u>	<u>\$ 1,422,820</u>	

CITY OF RICHLAND HILLS, TEXAS
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Year Ended September 30, 2017

	Special Revenue						Total Special Revenue Funds
	Court Building Security	Richland Hills Development Corporation	Court Technology	Red Light Camera Enforce	Hotel Occupancy Tax	Crime Victim Liaison	
REVENUES							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales	-	389,806	-	-	-	-	389,806
Hotel occupancy tax	-	-	-	-	226,677	-	226,677
Fines and forfeitures	4,713	-	5,936	385,685	-	-	396,334
Intergovernmental revenue	-	-	-	-	-	162,375	162,375
Investment earnings	-	476	-	-	-	-	476
Other revenue	-	-	-	-	-	-	-
Total revenue	4,713	390,282	5,936	385,685	226,677	162,375	1,175,668
EXPENDITURES							
Current:							
Public safety	10,000	-	13,931	355,921	-	166,916	546,768
Culture and recreation	-	-	-	-	-	-	-
Economic development	-	10,947	-	-	102,266	-	113,213
Capital Outlay	-	-	-	4,349	-	-	4,349
Debt Service							
Principal	-	80,000	-	-	40,000	-	120,000
Interest	-	148,058	-	-	66,889	-	214,947
Total expenditures	10,000	239,005	13,931	360,270	209,155	166,916	999,277
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,287)	151,277	(7,995)	25,415	17,522	(4,541)	176,391
Other financing sources (uses):							
Proceeds from sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	15,000	-	-	25,000	40,000
Transfers out	-	(370,000)	-	(22,000)	-	-	(392,000)
Total other financing sources (uses):	-	(370,000)	15,000	(22,000)	-	25,000	(352,000)
NET CHANGE IN FUND BALANCES	(5,287)	(218,723)	7,005	3,415	17,522	20,459	(175,609)
FUND BALANCE, OCTOBER 1, 2016	5,463	336,610	(6,100)	70,722	265,897	(522)	672,070
FUND BALANCE, SEPTEMBER 30, 2017	\$ 176	\$ 117,887	\$ 905	\$ 74,137	\$ 283,419	\$ 19,937	\$ 496,461

EXHIBIT F-2

Capital Projects								
Debt Service	Road and Street	Oil & Gas Lease	Capital Projects	2011 PFFCO	Baker Boulevard Projects	Total Capital Projects Funds	Total Nonmajor Funds	
\$ 601,633	\$ -	\$ -	\$ -	\$ -	\$ 67,705	\$ 67,705	\$ 669,338	
-	-	-	-	-	178,474	178,474	568,280	
-	-	-	-	-	-	-	226,677	
-	-	-	-	-	-	-	396,334	
-	-	-	-	-	227,537	227,537	389,912	
-	-	-	-	-	-	-	476	
-	-	41,658	-	-	-	41,658	41,658	
<u>601,633</u>	<u>-</u>	<u>41,658</u>	<u>-</u>	<u>-</u>	<u>473,716</u>	<u>515,374</u>	<u>2,292,675</u>	
-	-	-	-	-	-	-	546,768	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	113,213	
-	-	10,769	38,000	-	57,726	106,495	110,844	
78,000	-	-	-	-	-	-	198,000	
<u>450,018</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>664,965</u>	
<u>528,018</u>	<u>-</u>	<u>10,769</u>	<u>38,000</u>	<u>-</u>	<u>57,726</u>	<u>106,495</u>	<u>1,633,790</u>	
<u>73,615</u>	<u>-</u>	<u>30,889</u>	<u>(38,000)</u>	<u>-</u>	<u>415,990</u>	<u>408,879</u>	<u>658,885</u>	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	40,000	
-	-	-	-	-	-	-	(392,000)	
-	-	-	-	-	-	-	(352,000)	
73,615	-	30,889	(38,000)	-	415,990	408,879	306,885	
<u>164,196</u>	<u>19,692</u>	<u>171,204</u>	<u>40,711</u>	<u>24,760</u>	<u>(84,523)</u>	<u>171,844</u>	<u>1,008,110</u>	
<u>\$ 237,811</u>	<u>\$ 19,692</u>	<u>\$ 202,093</u>	<u>\$ 2,711</u>	<u>\$ 24,760</u>	<u>\$ 331,467</u>	<u>\$ 580,723</u>	<u>\$ 1,314,995</u>	

CITY OF RICHLAND HILLS, TEXAS
Court Building Security Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Fines and forfeitures	\$ 6,800	\$ 6,800	\$ 4,713	\$ (2,087)
Investment earnings	25	25	-	(25)
Total revenues	<u>6,825</u>	<u>6,825</u>	<u>4,713</u>	<u>(2,112)</u>
EXPENDITURES				
Current				
Public safety	15,000	15,000	10,000	5,000
Total expenditures	<u>15,000</u>	<u>15,000</u>	<u>10,000</u>	<u>5,000</u>
NET CHANGE IN FUND BALANCES	(8,175)	(8,175)	(5,287)	2,888
FUND BALANCE, OCTOBER 1, 2016	<u>5,463</u>	<u>5,463</u>	<u>5,463</u>	<u>-</u>
FUND BALANCE, SEPTEMBER 30, 2017	<u><u>\$ (2,712)</u></u>	<u><u>\$ (2,712)</u></u>	<u><u>\$ 176</u></u>	<u><u>\$ 2,888</u></u>

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Sales	\$ 312,500	\$ 312,500	\$ 389,806	\$ 77,306
Investment earnings	110	110	476	366
Total revenues	<u>312,610</u>	<u>312,610</u>	<u>390,282</u>	<u>77,672</u>
EXPENDITURES				
Current				
Economic development	25,500	25,500	10,947	14,553
Debt service:				
Principal	80,000	80,000	80,000	-
Interest and fiscal agent charges	148,058	148,058	148,058	-
Total expenditures	<u>253,558</u>	<u>253,558</u>	<u>239,005</u>	<u>14,553</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>59,052</u>	<u>59,052</u>	<u>151,277</u>	<u>92,225</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(30,000)	(370,000)	(370,000)	-
Total other financing sources (uses)	<u>(30,000)</u>	<u>(370,000)</u>	<u>(370,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	29,052	(310,948)	(218,723)	92,225
FUND BALANCE, OCTOBER 1, 2016	<u>336,610</u>	<u>336,610</u>	<u>336,610</u>	<u>-</u>
FUND BALANCE, SEPTEMBER 30, 2017	<u>\$ 365,662</u>	<u>\$ 25,662</u>	<u>\$ 117,887</u>	<u>\$ 92,225</u>

CITY OF RICHLAND HILLS, TEXAS
Court Technology Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Fines and forfeitures	\$ 9,100	\$ 9,100	\$ 5,936	\$ (3,164)
Total revenues	<u>9,100</u>	<u>9,100</u>	<u>5,936</u>	<u>(3,164)</u>
EXPENDITURES				
Current				
Public safety	8,578	8,578	13,931	(5,353)
Total expenditures	<u>8,578</u>	<u>8,578</u>	<u>13,931</u>	<u>(5,353)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>522</u>	<u>522</u>	<u>(7,995)</u>	<u>(8,517)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	15,000	15,000	-
Total other financing sources (uses)	<u>-</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES				
	522	15,522	7,005	(8,517)
FUND BALANCE, OCTOBER 1, 2016				
	<u>(6,100)</u>	<u>(6,100)</u>	<u>(6,100)</u>	<u>-</u>
FUND BALANCE, SEPTEMBER 30, 2017				
	<u>\$ (5,578)</u>	<u>\$ 9,422</u>	<u>\$ 905</u>	<u>\$ (8,517)</u>

CITY OF RICHLAND HILLS, TEXAS
Red Light Camera Enforce Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Fines and forfeitures	\$ 368,800	\$ 368,800	\$ 385,685	\$ 16,885
Total revenues	<u>368,800</u>	<u>368,800</u>	<u>385,685</u>	<u>16,885</u>
EXPENDITURES				
Current				
Public safety	347,305	342,955	355,921	(12,966)
Capital outlay	-	4,350	4,349	1
Total expenditures	<u>347,305</u>	<u>347,305</u>	<u>360,270</u>	<u>(12,965)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>21,495</u>	<u>21,495</u>	<u>25,415</u>	<u>3,920</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(22,000)</u>	<u>(22,000)</u>	<u>(22,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(22,000)</u>	<u>(22,000)</u>	<u>(22,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(505)	(505)	3,415	3,920
FUND BALANCE, OCTOBER 1, 2016	<u>70,722</u>	<u>70,722</u>	<u>70,722</u>	<u>-</u>
FUND BALANCE, SEPTEMBER 30, 2017	<u>\$ 70,217</u>	<u>\$ 70,217</u>	<u>\$ 74,137</u>	<u>\$ 3,920</u>

CITY OF RICHLAND HILLS, TEXAS
Hotel Occupancy Tax Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Hotel occupancy tax	\$ 202,104	\$ 202,104	\$ 226,677	\$ 24,573
Investment earnings	60	60	-	(60)
Total revenues	<u>202,164</u>	<u>202,164</u>	<u>226,677</u>	<u>24,513</u>
EXPENDITURES				
Current				
Economic development	115,058	115,058	102,266	12,792
Debt service:				
Principal	40,000	40,000	40,000	-
Interest and fiscal agent charges	66,889	66,889	66,889	-
Total expenditures	<u>221,947</u>	<u>221,947</u>	<u>209,155</u>	<u>12,792</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(19,783)</u>	<u>(19,783)</u>	<u>17,522</u>	<u>37,305</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(960)	(960)	-	960
Total other financing sources (uses)	<u>(960)</u>	<u>(960)</u>	<u>-</u>	<u>960</u>
NET CHANGE IN FUND BALANCES	(20,743)	(20,743)	17,522	38,265
FUND BALANCE, OCTOBER 1, 2016	<u>265,897</u>	<u>265,897</u>	<u>265,897</u>	<u>-</u>
FUND BALANCE, SEPTEMBER 30, 2017	<u>\$ 245,154</u>	<u>\$ 245,154</u>	<u>\$ 283,419</u>	<u>\$ 38,265</u>

CITY OF RICHLAND HILLS, TEXAS
Crime Victim Liaison Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenue	\$ 171,324	\$ 171,324	\$ 162,375	\$ (8,949)
Total revenues	<u>171,324</u>	<u>171,324</u>	<u>162,375</u>	<u>(8,949)</u>
EXPENDITURES				
Current				
Public safety	172,511	172,511	166,916	5,595
Total expenditures	<u>172,511</u>	<u>172,511</u>	<u>166,916</u>	<u>5,595</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,187)</u>	<u>(1,187)</u>	<u>(4,541)</u>	<u>(3,354)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	25,000	25,000	-
Total other financing sources (uses)	<u>-</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(1,187)	23,813	20,459	(3,354)
FUND BALANCE, OCTOBER 1, 2016	<u>(522)</u>	<u>(522)</u>	<u>(522)</u>	<u>-</u>
FUND BALANCE, SEPTEMBER 30, 2017	<u>\$ (1,709)</u>	<u>\$ 23,291</u>	<u>\$ 19,937</u>	<u>\$ (3,354)</u>

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, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
REVENUES				
Taxes:				
Property taxes	\$ 92,282	\$ 92,282	\$ 601,633	\$ 509,351
Investment earnings	25	25	-	(25)
Total revenues	<u>92,307</u>	<u>92,307</u>	<u>601,633</u>	<u>509,326</u>
EXPENDITURES				
Debt service:				
Principal	78,000	78,000	78,000	-
Interest and fiscal agent charges	12,643	12,643	450,018	(437,375)
Total expenditures	<u>90,643</u>	<u>90,643</u>	<u>528,018</u>	<u>(437,375)</u>
NET CHANGE IN FUND BALANCES	1,664	1,664	73,615	71,951
FUND BALANCE, OCTOBER 1, 2016	<u>164,196</u>	<u>164,196</u>	<u>164,196</u>	<u>-</u>
FUND BALANCE, SEPTEMBER 30, 2017	<u>\$ 165,860</u>	<u>\$ 165,860</u>	<u>\$ 237,811</u>	<u>\$ 71,951</u>

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment earnings	\$ 25	\$ 25	\$ -	\$ (25)
Total revenues	<u>25</u>	<u>25</u>	<u>-</u>	<u>(25)</u>
EXPENDITURES				
Capital outlay	<u>250</u>	<u>250</u>	<u>-</u>	<u>250</u>
Total expenditures	<u>250</u>	<u>250</u>	<u>-</u>	<u>250</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(225)</u>	<u>(225)</u>	<u>-</u>	<u>225</u>
NET CHANGE IN FUND BALANCES	(225)	(225)	-	225
FUND BALANCE, OCTOBER 1, 2016	<u>19,692</u>	<u>19,692</u>	<u>19,692</u>	<u>-</u>
FUND BALANCE, SEPTEMBER 30, 2017	<u>\$ 19,467</u>	<u>\$ 19,467</u>	<u>\$ 19,692</u>	<u>\$ 225</u>

CITY OF RICHLAND HILLS, TEXAS
Oil & Gas Lease Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment earnings	\$ 130	\$ 130	\$ -	\$ (130)
Other revenue	30,000	30,000	41,658	11,658
Total revenues	<u>30,130</u>	<u>30,130</u>	<u>41,658</u>	<u>11,528</u>
EXPENDITURES				
Capital outlay	<u>190,000</u>	<u>190,000</u>	<u>10,769</u>	<u>179,231</u>
Total expenditures	<u>190,000</u>	<u>190,000</u>	<u>10,769</u>	<u>179,231</u>
NET CHANGE IN FUND BALANCES	(159,870)	(159,870)	30,889	190,759
FUND BALANCE, OCTOBER 1, 2016	<u>171,204</u>	<u>171,204</u>	<u>171,204</u>	<u>-</u>
FUND BALANCE, SEPTEMBER 30, 2017	<u>\$ 11,334</u>	<u>\$ 11,334</u>	<u>\$ 202,093</u>	<u>\$ 190,759</u>

STATISTICAL DATA
(Unaudited)

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF RICHLAND HILLS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2017
STATISTICAL SECTION INDEX
(Unaudited)**

This part of the City of Richland Hills' 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 government's overall financial health.

	TABLES
FINANCIAL TRENDS	1-4
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
REVENUE CAPACITY	5-10
These schedules contain information to help the reader assess the government's most significant local revenue sources, property and sales tax.	
DEBT CAPACITY	11-15
These schedules present information to help the reader assess the affordability of the government's current level of outstanding debt and the government's ability to issue additional debt in the future.	
DEMOGRAPHIC AND ECONOMIC INFORMATION	16-17
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
OPERATING INFORMATION	18-20
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	

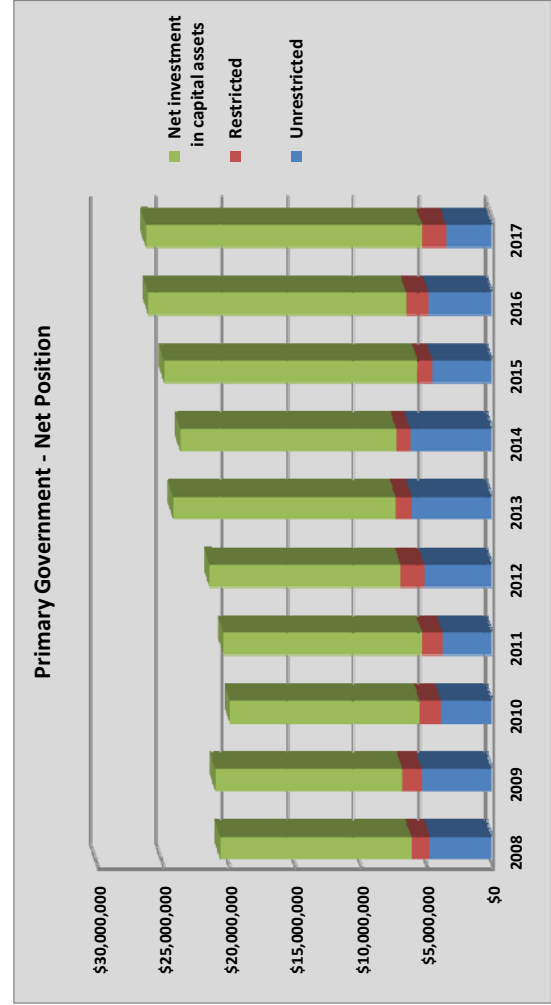
Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports of the relevant year.

THIS PAGE INTENTIONALLY LEFT BLANK

TABLE 1

CITY OF RICHLAND HILLS, TEXAS
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Net investment in capital assets	\$ 8,565,062	\$ 8,108,808	\$ 8,215,829	\$ 7,815,576	\$ 7,603,080	\$ 9,777,284	\$ 10,136,996	\$ 10,450,781	\$ 10,653,314	\$ 11,342,503
Restricted	412,610	439,715	375,753	1,542,536	1,811,780	1,245,956	1,069,428	1,127,400	1,692,036	1,812,889
Unrestricted	4,888,559	5,273,862	4,153,765	2,564,977	2,359,827	2,240,995	3,410,142	2,205,841	2,791,787	1,415,184
Total governmental activities net position	\$ 13,866,231	\$ 13,822,385	\$ 12,745,347	\$ 11,923,089	\$ 11,774,687	\$ 13,264,235	\$ 14,616,566	\$ 13,784,022	\$ 15,137,137	\$ 14,570,576
Business-type activities:										
Net investment in capital assets	\$ 5,945,512	\$ 6,093,323	\$ 6,194,852	\$ 7,255,716	\$ 6,893,293	\$ 7,096,222	\$ 6,254,783	\$ 8,788,016	\$ 8,921,383	\$ 9,637,000
Restricted	1,011,985	1,039,337	1,212,169	-	-	-	-	-	-	-
Unrestricted	(212,675)	18,269	(290,156)	1,170,660	2,745,136	3,811,452	2,770,715	2,284,595	2,010,464	2,053,701
Total business-type activities net position	\$ 6,744,822	\$ 7,150,929	\$ 7,116,865	\$ 8,426,376	\$ 9,638,429	\$ 10,907,674	\$ 9,025,498	\$ 11,072,611	\$ 10,931,847	\$ 11,690,701
Primary government:										
Net investment in capital assets	\$ 14,510,574	\$ 14,202,131	\$ 14,410,681	\$ 15,071,292	\$ 14,496,373	\$ 16,873,506	\$ 16,391,779	\$ 19,238,797	\$ 19,574,697	\$ 20,979,503
Restricted	1,424,595	1,479,052	1,587,922	1,542,536	1,811,780	1,245,956	1,069,428	1,127,400	1,692,036	1,812,889
Unrestricted	4,675,884	5,292,131	3,863,609	3,735,637	5,104,963	6,052,447	6,180,857	4,490,436	4,802,251	3,468,885
Total primary government activities net position	\$ 20,611,053	\$ 20,973,314	\$ 19,862,212	\$ 20,349,465	\$ 21,413,116	\$ 24,171,909	\$ 23,642,064	\$ 24,856,633	\$ 26,068,984	\$ 26,261,277



CITY OF RICHLAND HILLS, TEXAS
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year				
	2008	2009	2010	2011	2012
EXPENSES					
Governmental activities:					
General government	\$ 381,991	\$ 396,736	\$ 409,627	\$ 452,544	\$ 628,950
Public safety	4,548,288	4,727,024	5,269,229	5,032,257	4,903,622
Public works	1,277,037	1,445,582	1,339,330	1,151,899	1,211,553
Culture and recreation	329,331	317,101	364,142	453,741	389,982
Parks and beautification	43,290	46,457	26,670	21,182	34,013
Community development	83,792	135,632	126,422	612,100	614,100
Economic development	-	-	-	-	-
Interest and fiscal agent charges	91,450	82,847	74,760	56,979	79,132
Bond issuance costs	-	-	-	-	-
Total governmental activities expenses	<u>6,755,179</u>	<u>7,151,379</u>	<u>7,610,180</u>	<u>7,780,702</u>	<u>7,861,352</u>
Business-type activities:					
Water and wastewater	3,519,155	3,564,422	3,904,845	3,845,749	3,647,012
Drainage utility	250,726	134,218	153,742	440,644	328,298
Total business-type activities expenses	<u>3,769,881</u>	<u>3,698,640</u>	<u>4,058,587</u>	<u>4,286,393</u>	<u>3,975,310</u>
Total primary government expenses	<u>\$ 10,525,060</u>	<u>\$ 10,850,019</u>	<u>\$ 11,668,767</u>	<u>\$ 12,067,095</u>	<u>\$ 11,836,662</u>
PROGRAM REVENUES					
Governmental activities:					
Charges for services	\$ 1,062,390	\$ 947,396	\$ 1,006,141	\$ 1,309,146	\$ 1,040,455
Operating grants and contributions	179,182	164,926	230,056	268,290	377,544
Capital grants and contributions	97,423	352,102	226,239	393,993	280,848
Total governmental activities program revenues	<u>1,338,995</u>	<u>1,464,424</u>	<u>1,462,436</u>	<u>1,971,429</u>	<u>1,698,847</u>
Business-type activities					
Charges for services	3,310,833	3,829,532	4,004,950	5,283,041	5,058,622
Capital grants and contributions	-	-	-	-	-
Total business-type activities program revenues	<u>3,310,833</u>	<u>3,829,532</u>	<u>4,004,950</u>	<u>5,283,041</u>	<u>5,058,622</u>
Total primary government program revenues	<u>\$ 4,649,828</u>	<u>\$ 5,293,956</u>	<u>\$ 5,467,386</u>	<u>\$ 7,254,470</u>	<u>\$ 6,757,469</u>
NET (EXPENSE) REVENUE					
Governmental activities	\$ (5,416,184)	\$ (5,686,955)	\$ (6,147,744)	\$ (5,809,273)	\$ (6,162,505)
Business-type activities	(459,048)	130,892	(53,637)	996,648	1,083,312
Total primary government net expense	<u>\$ (5,875,232)</u>	<u>\$ (5,556,063)</u>	<u>\$ (6,201,381)</u>	<u>\$ (4,812,625)</u>	<u>\$ (5,079,193)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION					
Governmental activities:					
Taxes					
Property	\$ 1,927,273	\$ 2,083,969	\$ 2,119,563	\$ 2,197,570	\$ 2,204,507
Sales	2,457,930	2,262,356	2,210,327	2,593,770	3,077,839
Franchise	543,654	562,590	480,222	509,015	651,374
Hotel occupancy	-	52,079	121,561	152,597	182,112
Investment earnings	64,126	9,476	3,925	3,806	2,416
Miscellaneous	166,573	938,837	151,306	97,145	12,053
Gain (loss) on retirement of capital assets	-	-	-	-	-
Transfers in (out)	-	(266,198)	(16,198)	(300,788)	(116,198)
Total governmental activities	<u>5,159,556</u>	<u>5,643,109</u>	<u>5,070,706</u>	<u>5,253,115</u>	<u>6,014,103</u>
Business-type activities:					
Investment earnings	58,927	9,017	3,375	6,347	4,618
Miscellaneous	-	-	-	5,728	7,925
Transfers in (out)	-	266,198	16,198	300,788	116,198
Total business-type activities	<u>58,927</u>	<u>275,215</u>	<u>19,573</u>	<u>312,863</u>	<u>128,741</u>
Total primary government	<u>\$ 5,218,483</u>	<u>\$ 5,918,324</u>	<u>\$ 5,090,279</u>	<u>\$ 5,565,978</u>	<u>\$ 6,142,844</u>
Change in Net Position					
Governmental activities	\$ (256,628)	\$ (43,846)	\$ (1,077,038)	\$ (556,158)	\$ (148,402)
Business-type activities	(400,121)	406,107	(34,064)	1,309,511	1,212,053
Total primary government	<u>\$ (656,749)</u>	<u>\$ 362,261</u>	<u>\$ (1,111,102)</u>	<u>\$ 753,353</u>	<u>\$ 1,063,651</u>

(Continued)

TABLE 2

Fiscal Year				
2013	2014	2015	2016	2017
\$ 654,916	\$ 1,241,332	\$ 1,182,618	\$ 1,297,325	\$ 2,070,959
4,977,046	5,023,432	4,898,102	5,250,251	5,377,655
716,031	641,584	695,387	743,555	682,106
435,470	422,537	413,433	445,559	1,445,683
15,628	88,408	74,723	45,555	565,333
757,894	769,346	787,272	527,634	387,387
-	-	-	184,833	113,213
70,283	36,102	33,408	272,493	422,212
-	-	-	269,037	-
<u>7,627,268</u>	<u>8,222,741</u>	<u>8,084,943</u>	<u>9,036,242</u>	<u>11,064,548</u>
3,183,727	5,183,820	3,801,600	3,939,736	3,574,827
548,407	2,493,216	399,214	609,757	604,158
<u>3,732,134</u>	<u>7,677,036</u>	<u>4,200,814</u>	<u>4,549,493</u>	<u>4,178,985</u>
<u>\$ 11,359,402</u>	<u>\$ 15,899,777</u>	<u>\$12,285,757</u>	<u>\$ 13,585,735</u>	<u>\$ 15,243,533</u>
\$ 1,281,205	\$ 1,223,032	\$ 1,115,626	\$ 1,400,803	\$ 1,481,181
382,669	332,703	324,176	212,901	225,025
1,885,625	173,007	298,227	364,313	4,148
<u>3,549,499</u>	<u>1,728,742</u>	<u>1,738,029</u>	<u>1,978,017</u>	<u>1,710,354</u>
4,933,914	4,697,772	4,698,246	4,916,055	5,058,451
-	-	-	-	173,079
<u>4,933,914</u>	<u>4,697,772</u>	<u>4,698,246</u>	<u>4,916,055</u>	<u>5,231,530</u>
<u>\$ 8,483,413</u>	<u>\$ 6,426,514</u>	<u>\$ 6,436,275</u>	<u>\$ 6,894,072</u>	<u>\$ 6,941,884</u>
\$ (4,077,769)	\$ (6,493,999)	\$ (6,346,914)	\$ (7,058,225)	\$ (9,354,194)
1,201,780	(2,979,264)	497,432	366,562	1,052,545
<u>\$ (2,875,989)</u>	<u>\$ (9,473,263)</u>	<u>\$ (5,849,482)</u>	<u>\$ (6,691,663)</u>	<u>\$ (8,301,649)</u>
\$ 2,174,946	\$ 2,309,156	\$ 2,324,952	\$ 2,364,093	\$ 2,839,255
2,743,469	3,852,303	4,023,815	4,471,407	4,735,759
471,759	602,352	590,583	599,094	512,109
194,967	210,250	210,250	232,946	226,677
2,076	1,078	9,701	2,992	16,669
8,513	8,777	8,777	232,653	97,487
28,678	(269,203)	6,452	-	61,519
(57,091)	413,985	413,985	508,155	298,158
<u>5,567,317</u>	<u>7,128,698</u>	<u>7,588,515</u>	<u>8,411,340</u>	<u>8,787,633</u>
4,141	1,529	1,542	829	4,467
6,233	10,397	10,397	-	-
57,091	(413,983)	(413,985)	(508,155)	(298,158)
<u>67,465</u>	<u>(402,057)</u>	<u>(402,046)</u>	<u>(507,326)</u>	<u>(293,691)</u>
<u>\$ 5,634,782</u>	<u>\$ 6,726,641</u>	<u>\$ 7,186,469</u>	<u>\$ 7,904,014</u>	<u>\$ 8,493,942</u>
\$ 1,489,548	\$ 634,699	\$ 1,241,601	\$ 1,353,115	\$ (566,561)
1,269,245	(3,381,321)	95,386	(140,764)	758,854
<u>\$ 2,758,793</u>	<u>\$ (2,746,622)</u>	<u>\$ 1,336,987</u>	<u>\$ 1,212,351</u>	<u>\$ 192,293</u>

(concluded)

CITY OF RICHLAND HILLS, TEXAS
FUND BALANCES
GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year					
	2008	2009	2010	2011	2012	2013
General Fund						
Reserved	\$ 94,104	\$ 83,381	\$ 959,203	\$ -	\$ -	\$ -
Unreserved	2,789,037	2,483,768	1,115,619	-	-	-
Nonspendable	-	-	-	830,477	663,958	432,896
Restricted	-	-	-	-	-	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	1,496,041	1,404,689	1,549,578
Total general fund	<u>\$ 2,883,141</u>	<u>\$ 2,567,149</u>	<u>\$ 2,074,822</u>	<u>\$ 2,326,518</u>	<u>\$ 2,068,647</u>	<u>\$ 1,982,474</u>
All Other Governmental Funds						
Reserved	\$ 403,585	\$ 408,406	\$ 351,107	\$ -	\$ -	\$ -
Unreserved, reported in:						
Special revenue funds	1,041,506	1,002,259	1,004,795	-	-	-
Capital project funds	209,354	1,033,429	552,409	-	-	-
Restricted	-	-	-	1,615,422	1,819,068	1,411,511
Assigned	-	-	-	23,425	23,425	23,425
Unassigned	-	-	-	-	(47,496)	(40,487)
Total all other governmental funds	<u>\$ 1,654,445</u>	<u>\$ 2,444,094</u>	<u>\$ 1,908,311</u>	<u>\$ 1,638,847</u>	<u>\$ 1,794,997</u>	<u>\$ 1,394,449</u>

(Continued)

Note: The City implemented GASB Statement No. 54 in fiscal year 2011.

TABLE 3

Fiscal Year			
2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -
-	-	-	-
487,319	-	46,221	1,813
-	-	57,661	59,086
-	-	-	-
-	-	-	-
2,384,982	3,031,436	3,883,656	2,630,467
<u>\$ 2,872,301</u>	<u>\$ 3,031,436</u>	<u>\$ 3,987,538</u>	<u>\$ 2,691,366</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
1,511,691	1,513,668	11,552,448	2,347,740
23,425	23,425	40,711	2,711
(367,364)	(216,619)	(91,145)	-
<u>\$ 1,167,752</u>	<u>\$ 1,320,474</u>	<u>\$ 11,502,014</u>	<u>\$ 2,350,451</u>

(concluded)

CITY OF RICHLAND HILLS, TEXAS
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

Last Ten Fiscal Years

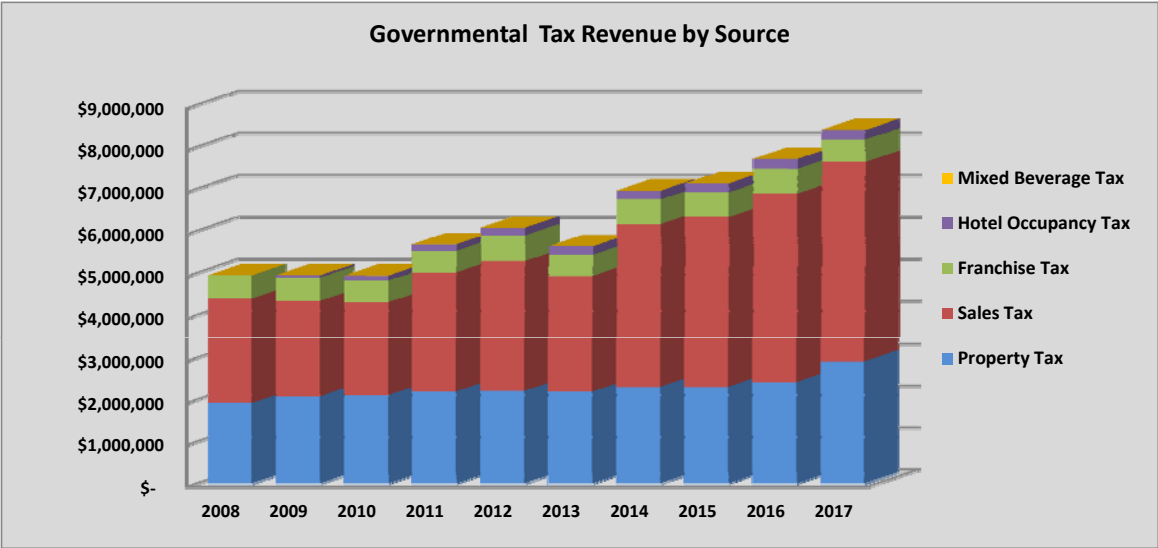
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year				
	2008	2009	2010	2011	2012
REVENUES					
Taxes	\$ 4,942,857	\$ 4,945,924	\$ 4,935,890	\$ 5,683,400	\$ 6,074,453
Fines and forfeitures	722,672	614,228	654,673	623,663	638,238
Licenses and permits	136,745	69,108	111,859	274,680	144,736
Charges for service	237,077	237,184	240,425	253,010	263,253
Intergovernmental	166,444	426,644	382,703	499,954	337,263
Investment earnings	64,126	9,476	3,925	3,806	2,416
Miscellaneous	231,634	984,144	194,319	191,828	340,957
Total revenues	<u>6,501,555</u>	<u>7,286,708</u>	<u>6,523,794</u>	<u>7,530,341</u>	<u>7,801,316</u>
EXPENDITURES					
Current operations:					
General government	338,417	358,134	378,811	424,446	838,508
Public safety	4,306,075	4,325,390	4,900,216	4,575,681	4,728,371
Public works	493,330	656,433	510,250	276,251	298,169
Culture and recreation	308,140	293,622	329,463	382,008	370,103
Parks and beautification	11,818	16,005	4,256	10,378	26,991
Community development	75,688	154,213	197,391	592,442	620,579
Economic development	-	-	-	-	-
Capital outlay	954,855	472,993	913,798	1,235,800	537,927
Debt service:					
Principal	223,000	242,000	251,000	331,000	293,000
Interest and fiscal agent charges	99,393	79,663	71,249	83,958	73,191
Bond issuance costs	-	-	-	-	-
Total expenditures	<u>6,810,716</u>	<u>6,598,453</u>	<u>7,556,434</u>	<u>7,911,964</u>	<u>7,786,839</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(309,161)</u>	<u>688,255</u>	<u>(1,032,640)</u>	<u>(381,623)</u>	<u>14,477</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	32,648	51,600	20,728	40,709	-
Proceeds from capital lease	-	-	-	-	-
Proceeds of bond issuance	-	-	-	473,000	-
Bond issuance premium	-	-	-	-	-
Proceeds from insurance recovery	-	-	-	50,146	-
Transfers in	244,780	260,887	320,113	133,006	144,110
Transfers out	(244,780)	(527,085)	(336,311)	(333,006)	(260,308)
Total other financing sources (uses)	<u>32,648</u>	<u>(214,598)</u>	<u>4,530</u>	<u>363,855</u>	<u>(116,198)</u>
Net change in fund balances	<u>\$ (276,513)</u>	<u>\$ 473,657</u>	<u>\$ (1,028,110)</u>	<u>\$ (17,768)</u>	<u>\$ (101,721)</u>
Debt service as a percentage of non-capital expenditures	5.51%	5.25%	4.85%	6.22%	5.05%

(Continued)

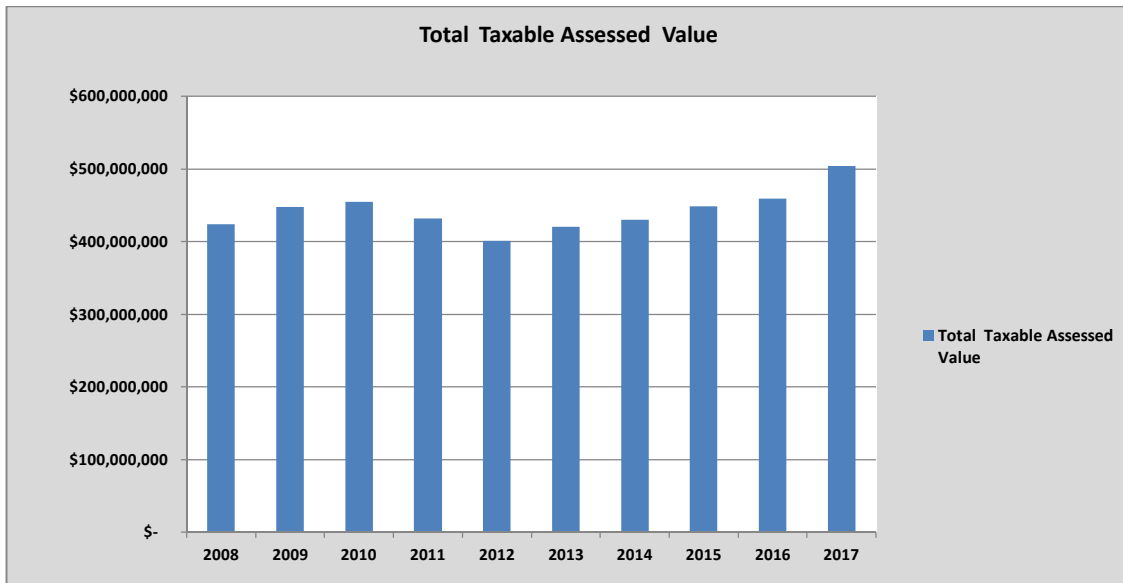
CITY OF RICHLAND HILLS, TEXAS
GOVERNMENTAL FUNDS
TAX REVENUE BY SOURCE
Last Ten Fiscal Years
 (modified accrual basis of accounting)
 (Unaudited)

Fiscal Year	Property Tax	Sales Tax	Mixed Beverage Tax	Franchise Tax	Hotel Occupancy Tax	Total Tax Revenue
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
2016	2,416,008	4,469,203	2,204	594,929	232,946	7,715,290
2017	2,909,940	4,733,430	2,329	527,855	226,677	8,400,231



CITY OF RICHLAND HILLS, TEXAS
ASSESSED AND ESTIMATED ACTUAL
VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Assessed Property Value					Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
	Residential Property	Commercial Property	Industrial Property	Other Property	Personal Property					
2008	\$ 263,989,606	\$ 84,778,256	\$ 9,904,412	\$ 578,752	\$87,309,399	\$ 22,812,614	\$ 423,747,811	\$ 0.456700	\$ 423,747,811	100.0%
2009	277,842,821	88,909,432	10,479,108	272,405	95,676,055	25,027,659	448,152,162	0.459202	448,152,162	100.0%
2010	284,264,270	105,533,139	10,743,321	237,868	90,162,865	35,902,483	455,038,980	0.473042	455,038,980	100.0%
2011	268,570,340	114,245,698	10,064,358	507,056	73,756,974	35,562,818	431,581,608	0.518012	431,581,608	100.0%
2012	245,970,064	108,710,252	10,440,987	435,104	71,202,225	35,315,955	401,442,677	0.551757	401,442,677	100.0%
2013	233,751,444	132,749,662	11,100,542	4,133,920	78,054,664	39,336,819	420,453,413	0.528094	420,453,413	100.0%
2014	244,644,818	133,773,931	11,034,455	5,204,810	83,241,474	47,763,360	430,136,128	0.528094	430,136,128	100.0%
2015	249,818,804	140,619,127	10,954,105	8,567,090	88,156,960	49,823,877	448,292,209	0.528094	448,292,209	100.0%
2016	252,248,877	148,470,367	10,935,105	6,433,902	89,767,063	48,639,210	459,216,104	0.528805	459,216,104	100.0%
2017	283,204,384	164,847,074	13,090,988	497,316	94,503,549	51,585,738	504,557,573	0.595633	504,557,573	100.0%



Source: Tarrant Appraisal District

Note: Property in the City is reassessed each year by the Tarrant Appraisal District.
Property is assessed at actual value; therefore, the assessed values are equal to actual value.

TABLE 7

CITY OF RICHLAND HILLS, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
 Last Ten Fiscal Years
 (Unaudited)

	FISCAL YEAR									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
OVERLAPPING RATES										
Tarrant County	0.264000	0.264000	0.264000	0.264000	0.264000	0.264000	0.264000	0.264000	0.264000	0.244000
Tarrant County Hospital District	0.227897	0.227897	0.227897	0.227897	0.227897	0.227897	0.227897	0.227897	0.227897	0.224429
Tarrant County Junior College District	0.139600	0.137960	0.137670	0.137640	0.148970	0.148970	0.149500	0.149500	0.149500	0.140060
Birdville Independent School District	1.405000	1.41000	1.405000	1.425000	1.435000	1.435000	1.435000	1.435000	1.453900	1.453900
CITY DIRECT RATES										
Operating & Maintenance	0.398000	0.408773	0.423707	0.466951	0.485915	0.465214	0.467694	0.469092	0.470680	0.471433
Interest & Sinking	0.052670	0.050429	0.049335	0.051061	0.065842	0.062880	0.060400	0.059002	0.058125	0.124200
Total Direct Rate	0.450670	0.459202	0.473042	0.518012	0.551757	0.528094	0.528094	0.528094	0.528805	0.595633
Total Direct & Overlapping Rate	2.487167	2.499059	2.507609	2.572549	2.627624	2.603961	2.604491	2.604491	2.624102	2.658022

Sources: Tarrant Appraisal District and City records.

Note: All rates per \$100 assessed value.

Totals are not provided for columns since they would be meaningless.
 Some of the jurisdictions are mutually exclusive.

CITY OF RICHLAND HILLS, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
Current and Nine Years Ago
(Unaudited)

Taxpayer	Industry	2017			2008		
		2016 Taxable Assessed Valuation*	Rank	Percentage of Total Taxable Assessed Valuation	2007 Taxable Assessed Valuation*	Rank	Percentage of Total Taxable Assessed Valuation
The Creek on Calloway LP	Apartments	\$ 18,738,002	1	3.7%	\$ -		-
First Industrial	Real Estate/Commercial	13,025,339	2	2.6%	15,148,562	1	3.6%
WalMart Stores Texas LLC	Grocery store	9,051,944	3	1.8%	-		-
CN Churchill II and III LC	Hotel	7,868,039	4	1.6%	-		-
Buyers Barricades Inc.	Retailer	7,510,217	5	1.5%	-		-
Oncor Electric Co	Utility	5,157,987	7	1.0%	-		-
Hung Properties #1 LP	Real Estate/Commercial	5,100,000	8	1.0%	-		-
Southwestern Bell	Utility	4,681,140	9	0.9%	11,960,142	2	2.8%
Regency Raintree	Apartments	-		-	5,473,430	3	1.3%
Edward L. Baker	Real Estate/Commercial	-		-	4,862,455	4	1.1%
Stuart C Irby Company	Retailer	5,606,829	6	1.1%	4,685,539	5	1.1%
TXU Electric Delivery Co	Utility	-		-	4,437,608	6	1.0%
Nuclear Logistics Inc.	Retailer	-		-	4,427,124	7	1.0%
Composites One LLC	Retailer	-		-	3,219,705	8	0.8%
AHC Richland Hill LLC	Senior living	-		-	2,946,289	9	0.7%
Rewal Corp II	Real Estate/Commercial	-		-	2,749,896	10	0.6%
32Ten on the Boulevard LP	Apartments	3,800,000	10	0.8%			
Total		\$ 61,801,495		12.2%	\$ 59,910,750		14.1%
Total assessed value of other taxpayers		442,756,078		87.8%	363,837,061		85.9%
Total assessed value of all taxpayers		<u>\$ 504,557,573</u>		<u>100.0%</u>	<u>\$ 423,747,811</u>		<u>100.0%</u>

Source: Tarrant Appraisal District

* Taxpayers assessed on January 1, 2007 (2007 tax year) for the 2007-2008 fiscal year.

CITY OF RICHLAND HILLS, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

(Unaudited)

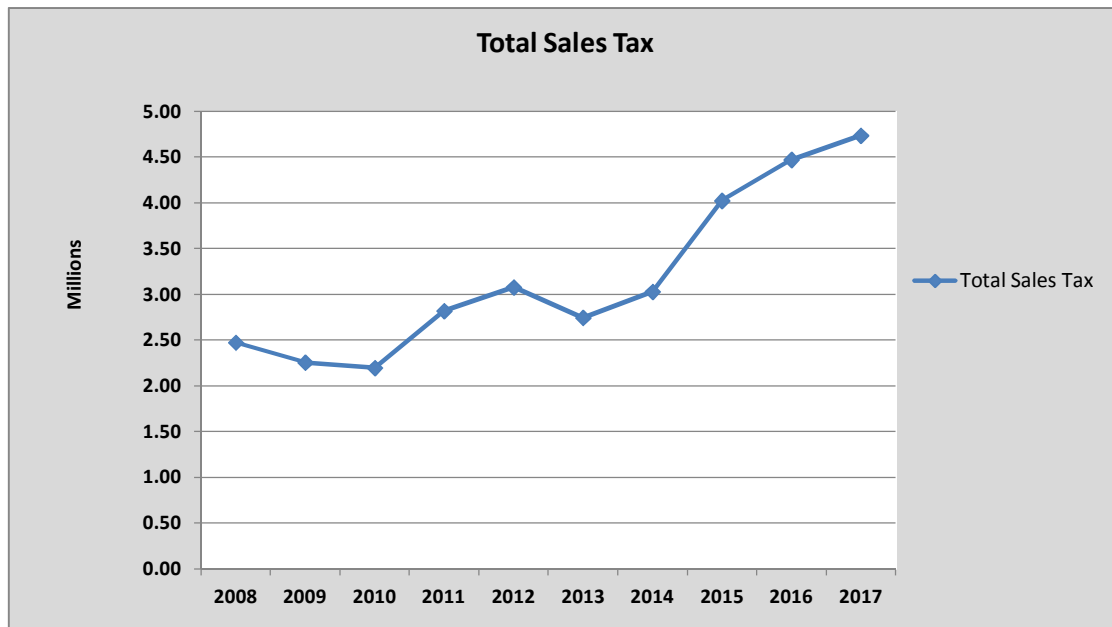
Fiscal Year Ended 9/30	Actual Levy Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collection in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2008	2007	\$ 1,910,234	\$ 1,879,312	98.4%	\$ 17,957	\$ 1,897,269	99.3%
2009	2008	2,064,779	2,030,068	98.3%	22,632	2,052,700	99.4%
2010	2009	2,134,498	2,086,380	97.7%	(8,370)	2,078,010	97.4%
2011	2010	2,177,631	2,138,363	98.2%	30,452	2,168,815	99.6%
2012	2011	2,183,418	2,155,888	98.7%	25,902	2,181,790	99.9%
2013	2012	2,162,748	2,119,438	98.0%	42,491	2,161,929	100.0%
2014	2013	2,250,917	2,231,421	99.1%	9,307	2,240,728	99.5%
2015	2014	2,316,163	2,272,895	98.1%	29,112	2,302,007	99.4%
2016	2015	2,380,796	2,354,223	98.9%	18,628	2,372,851	99.7%
2017	2016	2,875,298	2,836,300	98.6%	-	2,836,300	98.6%

Source: Tarrant County Tax Assessor Collector.

Tax Lien and Assessment Date: January 1 each year
Taxes due: October 1 of the same year
Taxes delinquent: February 1 of the following year

CITY OF RICHLAND HILLS, TEXAS
SALES TAX COLLECTIONS BY FUND
Last Ten Fiscal Years
 (Unaudited)

Fiscal Year Ended 9/30	General	(TIF) Tax Increment Financing	Crime Control District	Richland Hills Development Corporation	Total Sales Tax Collections
2008	\$ 1,679,452	\$ -	\$ 583,931	\$ 209,664	\$ 2,473,047
2009	1,523,221	-	541,144	190,158	2,254,523
2010	1,495,521	2,906	511,103	187,089	2,196,619
2011	1,886,852	17,924	675,913	237,889	2,818,578
2012	2,045,187	8,295	767,848	256,509	3,077,839
2013	1,822,994	7,002	684,911	228,562	2,743,469
2014	1,987,280	35,470	754,203	252,648	3,029,601
2015	2,583,922	101,400	1,003,104	335,389	4,023,815
2016	2,873,295	107,428	1,118,369	372,315	4,471,407
2017	2,980,714	178,474	1,186,765	389,806	4,735,759



Source: City records.

CITY OF RICHLAND HILLS, TEXAS
RATIOS OF TOTAL OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	GOVERNMENTAL ACTIVITIES					
	General Obligation Bonds	Premiums	Certificates of Obligation (1)	Public Property Finance Contractual Obligations	Tax Notes	Capital Leases
2008	\$ -	\$ -	\$ 855,000	\$ 515,000	\$ 536,000	\$ -
2009	-	-	770,000	485,000	409,000	-
2010	-	-	680,000	455,000	278,000	-
2011	-	-	580,000	425,000	77,000	-
2012	-	-	475,000	787,000	-	-
2013	-	-	365,000	1,004,000	-	47,420
2014	-	-	250,000	801,000	-	39,016
2015	-	-	130,000	591,000	-	30,104
2016	8,770,000	623,510	4,705,000	375,000	-	20,653
2017	8,770,000	565,372	4,585,000	297,000	-	196,303

Notes:

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

(1) Includes certificate of obligation secured by combination property tax and revenue.

(2) Includes governmental activities and business-type activities debt.

(3) See Table 16 for population and personal income data.

TABLE 11

BUSINESS-TYPE ACTIVITIES						Per Capita Debt as a Percent of Capita Income (3)
Revenue Bonds	Certificates of Obligation	Premiums	Capital Leases	Total Primary Government (2)	Total Debt Per Capita (3)	
\$ 1,610,000	\$ 4,515,000	\$ -	\$ 384,306	\$ 8,415,306	\$ 1,014	5.0%
1,525,000	4,245,000	-	343,336	7,777,336	937	4.6%
1,435,000	6,710,000	-	300,521	9,858,521	1,264	5.6%
1,340,000	6,360,000	-	255,780	9,037,780	1,159	4.7%
-	7,055,000	-	209,026	8,526,026	1,093	4.4%
-	12,230,000	537,466	160,167	14,344,053	1,839	7.5%
-	11,500,000	505,314	109,110	13,204,440	1,693	6.9%
-	11,750,000	473,166	55,756	13,030,026	1,645	6.7%
-	10,895,000	441,021	270,722	26,100,906	3,296	13.4%
-	10,000,000	408,871	206,981	25,029,527	3,160	12.8%

CITY OF RICHLAND HILLS, TEXAS
RATIOS OF GENERAL BONDED DEBT
PER ASSESSED VALUE AND PER CAPITA
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	General Bonded Debt	Less: Amounts Available in Debt Service Fund	Net General Bonded Debt	Percentage of Actual Taxable Value (1)	Net Bonded Debt Per Capita (2)
2008	\$ 1,051,000	\$ 100,322	\$ 950,678	0.22%	\$ 115
2009	894,000	132,211	761,789	0.17%	92
2010	733,000	134,841	598,159	0.13%	77
2011	502,000	92,309	409,691	0.09%	53
2012	787,000	123,525	663,475	0.17%	85
2013	1,004,000	125,011	878,989	0.21%	113
2014	801,000	144,394	656,606	0.15%	84
2015	591,000	185,035	405,965	0.09%	51
2016	9,145,000	164,196	8,980,804	1.96%	1,134
2017	9,067,000	237,811	8,829,189	1.75%	1,115

Notes:

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

(1) See Table 6 for taxable value data.

(2) See Table 16 for population and personal income data.

CITY OF RICHLAND HILLS, TEXAS
GENERAL BONDED DEBT AS A RATIO OF
ANNUAL GOVERNMENTAL EXPENDITURES
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Principal	Interest and fees	Total Debt Service	Total Governmental Expenditures (1)	Ratio of Debt Service to Governmental Expenditures
2008	\$ 223,000	\$ 99,393	\$ 322,393	\$ 6,810,716	4.7%
2009	242,000	79,663	321,663	6,598,453	4.9%
2010	251,000	71,249	322,249	7,556,434	4.3%
2011	331,000	60,958	391,958	7,911,964	5.0%
2012	293,000	73,191	366,191	7,786,839	4.7%
2013	238,000	52,190	290,190	10,076,260	2.9%
2014	203,000	29,730	232,730	9,312,525	2.5%
2015	210,000	29,730	239,730	8,716,183	2.8%
2016	346,000	22,978	368,978	13,168,230	2.8%
2017	198,000	664,965	862,965	21,367,070	4.0%

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

CITY OF RICHLAND HILLS, TEXAS
DIRECT AND OVERLAPPING
GOVERNMENTAL ACTIVITIES DEBT
As of September 30, 2017
(Unaudited)

<u>Governmental Unit</u>	<u>Tax Supported Debt Outstanding</u>	<u>Estimated Percent Applicable*</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
City of Richland Hills	\$ 14,217,372	100%	\$ 14,217,372
Total direct debt			<u>\$ 14,217,372</u>
Tarrant County (1)	320,227,567	0.33%	\$ 1,056,751
Tarrant County Hospital District(1)	20,835,000	0.33%	68,756
Tarrant County Junior College District(3)	-		-
Birdville Independent School District(2)	265,501,293	5.39%	14,310,520
Total overlapping debt			<u>\$ 15,436,026</u>
Total direct and overlapping debt			<u>\$ 29,653,398</u>
Total Direct and Overlapping Debt per Capita:			\$ 3,744

Source: (1) Tarrant Appraisal District as of 01/31/2017.

(2) Per Birdville ISD CAFR for fiscal year end June 30, 2016.

(3) There is no bonded debt outstanding for Tarrant County College District, as all bonds payable were paid off in February 2015.

*Estimated percentage is based on formula using assessed net taxable property values located within the Richland Hills City limits.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Richland Hills. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

CITY OF RICHLAND HILLS, TEXAS
Computation of Legal Debt Margin
September 30, 2017
(Unaudited)

Article XI, Section 5 of the State of Texas Constitution state 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 for 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 2017 was established at \$.595633 per \$100 of assessed valuation based on 100% appraised value.

CITY OF RICHLAND HILLS, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Estimated Population	Median Household Income	Per Capita Income	Public School Enrollment	Unemployment Rate
2008	8,300	\$ 43,377	\$ 20,247	1,593	5.8%
2009	8,300	43,377	20,247	1,593	8.0%
2010	7,801	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	7,920	50,788	22,682	1,765	6.0%
2016	7,920	50,126	24,612	1,765	4.2%
2017	7,920	50,126	24,612	1,765	3.9%

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

CITY OF RICHLAND HILLS, TEXAS

PRINCIPAL EMPLOYERS

Current and Nine Years Ago

(Unaudited)

Employer	Industry	2017		2008	
		Number of Employees	Rank	Number of Employees	Rank
Birdville ISD (3 schools)	Independent School District	207	1	152	1
Smith Lawn and Tree	Landscape and Horticulture	175	2	-	-
Hamilton Form Company	Industrial Machinery/Equipment	150	3	-	-
Buyers Barricade	Equipment Rentals	115	4	-	-
City of Richland Hills	Municipality	101	5	83	5
Lexington Place	Nursing and Personal Care	95	6	104	3
Trugreen Chemlawn	Landscape and Horticulture	86	7	70	8
Royal Bath	Plumbing Equipment/Manufacturing	75	8	72	7
WalMart Neighborhood Market	Grocery Store	70	9	-	-
Valley Dynamo	Table Top Games	65	10	-	-
Harris Packaging	Corrugated Boxes	-	-	135	2
Nuclear Logistics	Chemical Engineering Services	-	-	100	4
Richland Hills Nursing Home	Nursing and Personal Care	-	-	73	6
Alterra Healthcare Corporation	Nursing and Personal Care	-	-	60	9
Atlantic Air	Conditioning Equipment	-	-	55	10
Total		1,139		904	

Sources: City records and North Central Texas Council of Governments.

CITY OF RICHLAND HILLS, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

(Unaudited)

	FISCAL YEAR									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police										
Physical arrests	500	503	597	542	327	354	416	404	347	438
Number of law violations	3,396	3,885	3,511	3,693	1,090	1,279	1,346	976	798	1,266
Fire										
Number of fire runs	612	541	543	480	477	1,375	566	554	740	647
Number of EMS runs	845	813	920	889	898	909	920	902	990	1020
Public Works - Streets										
Streets resurfacing (miles)	0.3	0.2	1.4	23.0	0.3	1.0	0.8	1.5	-	1
Potholes repaired	118	123	123	184	517	207	369	168	247	211
Public Works - Water/Wastewater										
New Connections	38	18	12	21	1	2	9	13	1	2
Water main breaks	26	25	43	18	30	9	31	30	19	26
Average daily consumption (thousands of gallons)	925	921	836	955	879	882	654	789	686	877
Peak daily consumption (thousands of gallons)	1,800	1,610	1,552	1,670	1,761	1,517	1,048	1,494	1,125	1,415
Average daily sewer treatment (thousands of gallons)	902	880	1,499	688	697	468	407	793	546	457
Library										
Volumes collection	39,393	37,954	37,562	41,310	36,346	40,276	37,117	41,701	36,598	37,881
Total volumes borrowed	40,056	42,288	36,398	39,208	34,678	52,218	55,635	37,805	41,980	52,304
Recreation center (1)										
Link Memberships	-	-	-	-	-	-	-	-	-	402
Fitness Only Memberships	-	-	-	-	-	-	-	-	-	30
Rentals	-	-	-	-	-	-	-	-	-	17

Note: The City's recreation center, the LINK, opened in April 2017.

Source: Various City departments

CITY OF RICHLAND HILLS, TEXAS
CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

(Unaudited)

	FISCAL YEAR									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol units	11	11	11	11	11	11	11	11	8	8
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	355	355
Storage capacity (thousands of gallons)	2,360	2,360	2,360	2,360	2,360	2,360	2,360	2,360	2,360	2360
Sanitary sewer (miles)	60	60	60	60	60	60	60	60	60	60
Storm sewer (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
Recreation center	1	1	1	1	1	1	1	1	1	1
Playgrounds	3	3	3	3	3	3	3	3	3	4
Recreation center	-	-	-	-	-	-	-	-	-	1

Source: Various City departmental records.

CITY OF RICHLAND HILLS, TEXAS
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM
Last Ten Fiscal Years
(Unaudited)

<u>Function/Program</u>	<u>FISCAL YEAR</u>									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General government										
Administration	6	6	6	6	6	7	8	8	8	8
City Secretary	1	1	1	1	1	1	1	1	1	1
Economic development	-	1	1	1	1	-	-	-	-	-
Public safety										
Police	29	29	29	30	30	24	25	26	23	22
Fire	17	17	17	16	16	16	17	17	17	17
Municipal court	3	3	3	2	2	2	2	2	2	2
Animal services	2	2	2	2	2	2	2	2	2	2
Public Works - Streets	3	3	3	2	2	2	2	2	2	2
Culture and recreation										
Library	7	7	7	7	7	7	7	7	7	7
Recreation Center	1	1	1	1	1	1	1	1	1	25
Community development	2	2	3	3	3	3	3	4	4	4
Water and wastewater	10	10	10	10	10	10	10	10	9	9
Drainage utility	2	2	2	3	3	3	3	3	2	2
Total	<u>83</u>	<u>84</u>	<u>85</u>	<u>84</u>	<u>84</u>	<u>78</u>	<u>81</u>	<u>83</u>	<u>78</u>	<u>101</u>

Source: City records.

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

THIS PAGE INTENTIONALLY LEFT BLANK

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 12, 2018.

Internal Control Over Financial Reporting

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

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

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

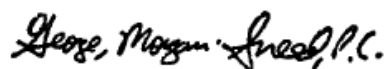
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Richland Hills' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material

effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.



George, Morgan & Sneed, P.C.
Weatherford, Texas
February 12, 2018