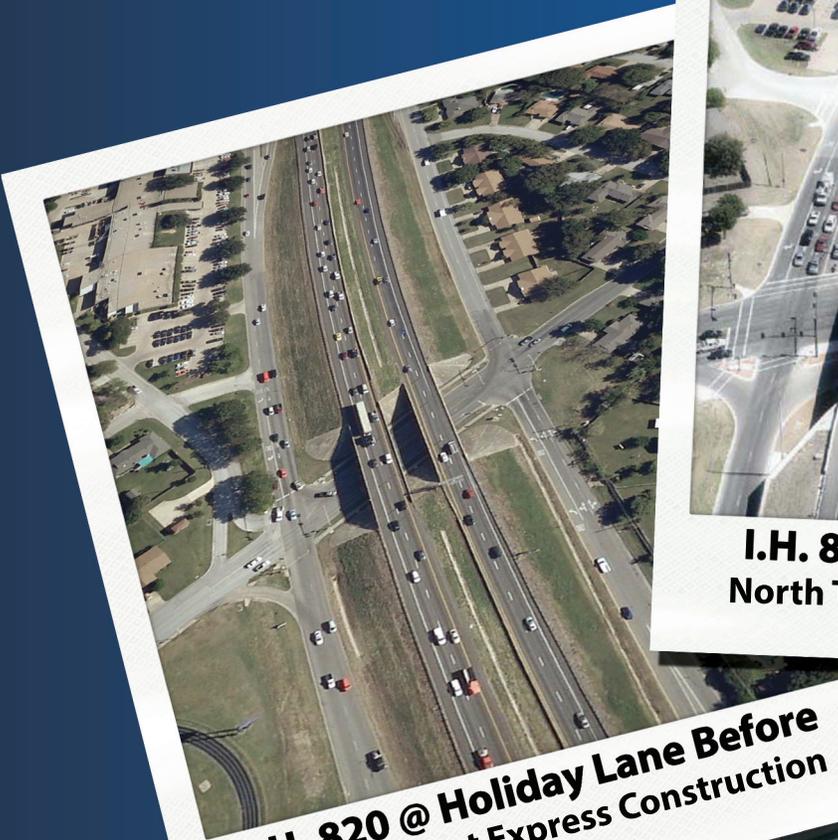
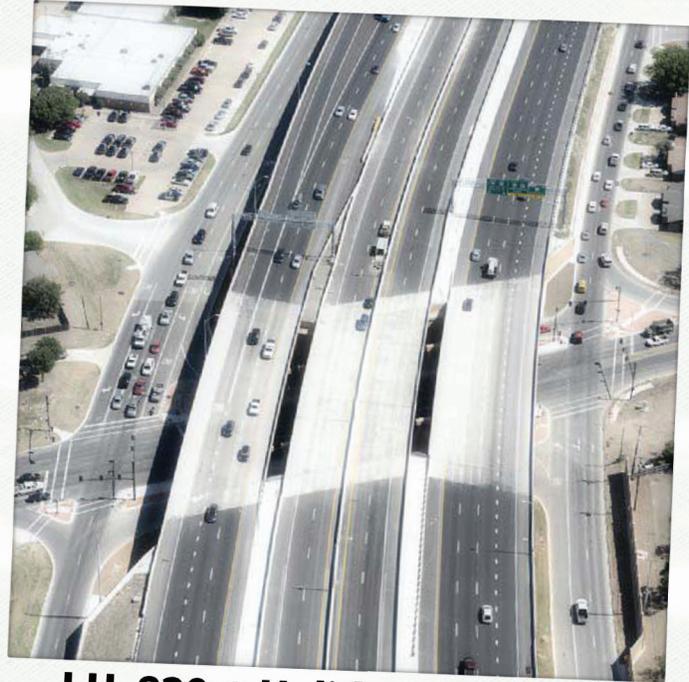


# Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2014



**I.H. 820 @ Holiday Lane Before  
North Tarrant Express Construction**



**I.H. 820 @ Holiday Lane After  
North Tarrant Express Construction**



**Improved I.H. 820 Lanes**

## About The Cover

The North Tarrant Express is a 13.3-mile, \$2.5 billion highway reconstruction project, which nearly doubled the road capacity throughout the I-820 and SH 121/183 corridors. The project began in 2010 and was developed by the Texas Department of Transportation and NTE Mobility Partners, a consortium of companies with experience in the delivery and maintenance of high-quality customized solutions for today's transportation challenges. In addition to greatly enhancing the corridor and improving mobility for drivers, the reconstruction project is attracting new businesses to the corridor, as well as providing enhanced opportunities to current business in Northeast Tarrant County. The North Tarrant Express will be substantially complete and open in October 2014.

*Cover Designed by  
Budget and Research Department  
City of North Richland Hills, Texas*

*Cover Photos: From Left: I.H. 820 @ Holiday Lane, Google Earth;  
I.H. 820 @ Holiday Lane Reconstruction, North Tarrant Express Website*

**CITY OF NORTH RICHLAND HILLS, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**YEAR ENDED SEPTEMBER 30, 2014**

City Officials

Oscar Trevino  
Mayor

Rita Wright Oujesky  
Place 2  
Mayor Pro Tem

Tito Rodriguez  
Place 1

Tom Lombard  
Place 3

Dr. Tim Barth  
Place 4

David Whitson  
Place 5

Scott Turnage  
Place 6

Tim Welch  
Place 7

Mark Hindman  
City Manager

Karen Bostic  
Assistant City Manager

Paulette Hartman  
Assistant City Manager

Jimmy Perdue  
Director of Public Safety

Mike Curtis  
Managing Director for Development Services

Prepared by: Finance Department

# NORTH RICHLAND HILLS

City of Choice

---

## **ACKNOWLEDGEMENTS**

The Comprehensive Annual Financial Report was prepared by the Department of Finance Office of Accounting:

**Karen Bostic**  
Assistant City Manager

### **Financial Reporting Staff:**

Laury Fiorello, CGFM, Assistant Director  
Phyllis O'Neal, Finance Assistant  
Amanda Brown, Accountant II  
Huibi Wang, Accountant I  
Tina Marsden, Accounting Technician  
Stephanie Hasse, Accounting Technician  
Lisandra Leal, Accounting Technician

Special appreciation is given to:

### **Budget and Research Department**

Mark Mills, Director  
Jennipher Castellanos, Senior Budget Analyst  
Christopher Smith, Budget Analyst

### **Human Resources Department**

Patrick Hillis, Director  
Cameron Rowland, Assistant Director  
James Edwards, Human Resources Analyst  
Ellen Cooper, Benefits Coordinator  
Jenny Bransford, Payroll Specialist  
Nancy Holcomb, Generalist Employment

And to all the departments and personnel throughout the City whose extra effort to contribute timely financial data for their departments made this report possible.

**City of North Richland Hills, Texas**  
**Comprehensive Annual Financial Report**  
**For Fiscal Year Ended**  
**September 30, 2014**

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**City of North Richland Hills, Texas**

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# Introductory Section



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## Department of Finance

February 18, 2015

To the Honorable Mayor, Members of City Council, City Manager, and Citizens of the City of North Richland Hills, Texas:

We hereby issue the comprehensive annual financial report of the City of North Richland Hills, Texas (the "City") for the fiscal year ended September 30, 2014.

This report consists of City management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in the report. To provide a reasonable basis for making these representations, management of 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"). 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 the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by BKD, LLP, independent auditors. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering unmodified opinions that the City's financial statements for the fiscal year ended September 30, 2014, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

GAAP require 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 report of the independent auditors.

**P.O. Box 820609 ♦ North Richland Hills, Texas ♦ 76182-0609  
7301 Northeast Loop 820 ♦ Finance ♦ 817-427-6166 ♦ Fax 817-427-6151**

## **Profile of North Richland Hills**

The City, incorporated in 1953, is a growing community located in the heart of the Dallas/Fort Worth Metroplex. The City's estimated population is 65,690 for 2014. The City is also home to over 1,200 commercial and industrial businesses. The third largest city in Tarrant County, North Richland Hills is only 10 minutes from downtown Fort Worth and 25 minutes from downtown Dallas. Interstate Loop 820 and Texas 121/183 (Airport Freeway) traverse the City, providing freeway access to five additional interstates and numerous US and state highways. The City is also conveniently located 10 minutes from Dallas/Fort Worth International Airport and 15 minutes from Alliance Airport. D/FW International Airport has over 2,000 flights daily with non-stop service to all major North American cities and many overseas destinations. The Alliance development facilitates the transport of merchandise through both the airport and the Burlington Northern/Santa Fe Intermodal Facility.

North Richland Hills operates under a charter adopted in 1964 which provides for a Council-Manager form of government. The Mayor and seven Council members are elected at large. The City Council is responsible for all matters of policy and is also the authority for levying taxes, securing revenues, authorizing expenditures of City funds, and incurring City debts. The City Manager is directly responsible to the City Council. An organizational chart follows to show the various levels of responsibility.

The City provides a full range of services. These services include police and fire protection; municipal court operations; the construction and maintenance of streets and infrastructure; parks, library, and recreational activities including tennis center operations; neighborhood services activities; planning and inspections; and the operations of a water and wastewater system, a golf course, and a public waterpark. A private contractor, through a franchise agreement, provides solid waste collection and disposal services for the City.

The annual budget serves as the foundation for the City's financial planning and control. The City maintains budgetary controls to ensure compliance with provisions in the annual budget adopted by the City Council. Annual operating budgets are adopted for the General Fund, certain Special Revenue Funds, Debt Service Funds, Enterprise Funds, and Internal Service Funds. Project-length financial plans are adopted for the Capital Project Funds. The level of budgetary control (that is, the level at which expenditures/expenses cannot legally exceed the appropriated amount) is established at the fund level. Detail control is accomplished by maintaining appropriations, encumbrances, and expended balances by line item within each operating department, within each operating fund. All annual appropriations lapse at the end of the fiscal year. Budgetary data for proprietary funds has not been presented since reporting on such budgets is not legally required.

Prior to September 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments. Prior to September 30, the budget is legally enacted through passage of an ordinance. The appropriated budget is prepared by fund, department, and division. The City Manager is authorized to transfer budgeted amounts between departments within any fund. Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

Transfers of appropriations between funds require the approval of the City Council. Budget-to-actual comparisons are provided in the report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, comparisons begin on page 75 in the required supplementary information segment of the financial statements. The comparisons for other governmental funds with appropriated annual budgets are presented in the other supplementary information of this report.

## **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

## **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local economy — North Richland Hills (NRH) continued to grow as all major economic indicators are trending in the right direction. The City remains geographically positioned as the main link between bustling downtown Fort Worth and affluent Northeast Tarrant County. Neighboring the high socioeconomic Cities of Colleyville, Keller and Southlake; the City of NRH remains not only the largest City in Northeast Tarrant County with 65,690 people, but it is expected to eclipse 85,000 people within the next two decades.

In 2014, NRH ranked 32<sup>nd</sup> in the nation in terms of year over year population growth rate according to the U.S Census Bureau. The City added almost 2,000 residents from 2012 to 2013, growing from a population just under 66,000. This 3% growth rate was the largest of all cities in Tarrant County. Other Tarrant cities in the top 100 include Mansfield, which ranked 51st and Fort Worth which ranked 99th. No other Tarrant County cities were ranked in the top 100.

This year also witnessed continued growth in taxable sales, taxable property values and new home starts. Compared to the previous fiscal year taxable sales grew by 3.8%, a \$32 million increase. This figure is expected to increase in FY 2015/16 since road construction along Northeast Loop 820 impacting 33% of the businesses over the last 5 years will finally be over. Taxable property value grew for the 4<sup>th</sup> straight year, this time over \$200 million, doubling previous year's growth and eclipsing over \$4 billion in net taxable value for the first time. Finally, the City continues steady residential growth adding another 150 new single family homes valued over \$300,000 while approving 500 more lots, keeping the new residential construction funnel full. Like last year, this residential growth was only exceeded by the City of Keller in Northeast Tarrant County.

The City maintains a diverse mix of business with fourteen primary employers representing 5,000 full time jobs within the healthcare, aerospace and supply chain sectors. Notably the City continues to experience employment growth from banking giant Santander Consumer USA, which employs almost 1,700 people, an increase of 500 over the past 3 years.

The City is currently in the midst of a growth spurt in new commercial construction as two grocery anchored shopping centers will be complete and open for business by March 2015. Commercial redevelopment is also in progress as the expansion of Northeast Loop 820 is now over with over 13 acres representing 20% of the commercial frontage that is now either for sale or undergoing redevelopment.

2015 is projected to be another strong year as the highway construction project will be complete, the two grocery anchored centers will have opened for business, and new residents will continue to flock to the City to enjoy quality housing, low crime, good schools and great amenities.

Long-term financial planning — In 2012, the voters authorized the construction of a new municipal facilities building and location. The election authorized \$40 million in general obligation debt for the project. The new facility will be the center of a new economic environment in the oldest part of the city. Located in a former retail (a mall) site, the plans provide for mixed use where commercial and multiple family housing stimulate the revitalization of the area. Projected completion of the new facility is estimated to be January, 2016.

In February 2003, the voters authorized the development of twenty-two street projects (arterial, collector, and residential), two drainage projects, and four municipal facilities projects with the passage of four propositions in the 2003 Bond Election. The authorized election package totaled \$37,210,000 for the aforementioned projects. The

City Council and management believe development of these projects is needed to improve infrastructure and provide essential services to its citizens. The projects are expected to continue through the year 2011.

At least annually, management reviews and updates long-range financial plans for the general operations of the City as well as the proprietary activities. Forecasts are prepared using conservative growth estimates for major sources of revenue. Maintaining this conservative approach, coupled with an aggressive debt repayment policy, have assisted in the City maintaining a favorable bond rating since 1997. Analysis is continuously updated to reflect new bond issues and the repayment thereof, as well as updates to estimates based on new developments, historical trends, changes in applicable legal requirements, and Council and management priorities.

The plans for the internal service funds include the accumulation of resources for meeting both current and future needs. For example, facilities and fleet support services as well as information services collect user fees to meet current maintenance needs as well as to meet future capital replacement needs.

Similarly, the City's policy with regard to self-insurance premiums has been to collect sufficient amounts to cover current health and dental claims as well as additions to reserves for future claims. In fiscal years 2002 and 2003 the Self Insurance (Internal Service) Fund reserves of \$3.1 million were depleted due primarily to spiraling inflation in the health care industry and unforeseeable extraordinary health claims. In fiscal year 2004, City Council adopted a strategy to rebuild reserves over a six-year period beginning in fiscal year 2005. Savings from changes in the health care plan, transfers from existing cash reserves in the General Fund and Water and Sewer Fund, and employee premiums are being used and continue to re-establish the reserves.

Similar plans for the build-up of reserves exist for the City's enterprise operations. Funds are set aside to meet future capital replacement needs such as infrastructure replacement and capital asset acquisitions. This approach has allowed the City's water and sewer operation to meet the majority of its capital replacement needs with the issuance of minimal debt. NRH<sub>2</sub>O, the City's Waterpark, has funded some new attractions and infrastructure improvements by utilizing cash reserves accumulated from operations.

Cash management policies and practices – The City's current bank depository contract is with JP Morgan Chase Bank, N.A. which began on October 1, 2009 and will be in effect through October 1, 2014. Cash temporarily idle during the year was invested in three public funds investment pools, certificates of deposit, agency securities, and U.S. Treasury Notes. The maturities of the investments range from overnight to three years. The average yield for overnight investments for fiscal year 2013 was 0.06%. The overnight investment's weighted portfolio average at the end of the fiscal year was 57 days. The average yield on all other investments for fiscal year 2012 was 0.41% compared to 0.79% for the prior year. The portfolio's weighted average maturity ("WAM") for all other investments at the end of the fiscal year was 512 days, which represents a 266 day increase over last year's WAM which was 246 days. At fiscal year end, approximately 34.3% was invested beyond one year, 26.1% was invested for one year or less, while the remaining 59.4% was invested in the overnight market. The City continues to use the services of PFM Asset Management, LLC as an investment advisor and overseer of our portfolio, which began on October 1, 2009.

Risk management — The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. While the City has historically retained a portion of these risks, coverage exists for: general, employment practice, law enforcement, and errors and omissions liability; excess workers' compensation; property damage; commercial crime coverage; and employee life insurance. The Self-Insurance Fund is responsible for workers' compensation, health, automobile liability, and general liability insurance. The City maintains a stop loss third party insurance policy with respect to health claims. This policy covers City medical claims in excess of \$175,000 per individual per year, and/or \$8,691,604 in the aggregate for a 12-month period beginning on January 1, 2014. Self-Insurance Fund claims are funded by charges to other funds and employee, retiree, and dependent premiums. Additional information on the City's risk management activity can be found in the notes to the basic financial statements.

Pension and other post-employment benefits — The City participates in the Texas Municipal Retirement System ("TMRS"), an agency authorized by the State of Texas. Employees of the City contribute a fixed percentage of

their gross pay (currently 7%). TMRS participants are immediately vested in those funds they contribute plus allocated interest. Participants are vested in employer contributions after five years of credited participation. If participants withdraw from TMRS prior to five years of credited participation, they may withdraw from TMRS those funds they contributed plus interest earnings. The City also provides postretirement health and dental care benefits for certain retirees and their dependents. As of the current fiscal year, there were 131 retired employees receiving these benefits. Additional information on the City's pension arrangements and post employment benefits can be found in the notes to the basic financial statements.

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 for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2013. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded the Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such comprehensive annual financial reports must satisfy both GAAP and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last thirty-one consecutive years. Staff believes the current Comprehensive Annual Financial Report continues to conform to the Certificate of Achievement Program requirements and it will be submitted to the GFOA for review.

The City also received an award in 2014 for the 2014-2015 operating budget. The Distinguished Budget Presentation award was granted to the City for the twenty-fourth consecutive year by the GFOA.

Acknowledgments — Timely preparation of this Comprehensive Annual Financial Report was made possible by the dedicated service of the Finance Department staff and our independent auditors. We would like to express sincere appreciation to those who contributed to the process.

In closing, the continued leadership and support of the Mayor, City Council, and City Manager in planning and conducting the financial operation of the City is sincerely appreciated.

Respectfully submitted,



Karen Bostic  
Assistant City Manager



Laury Fiorello  
Assistant Director of Finance



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

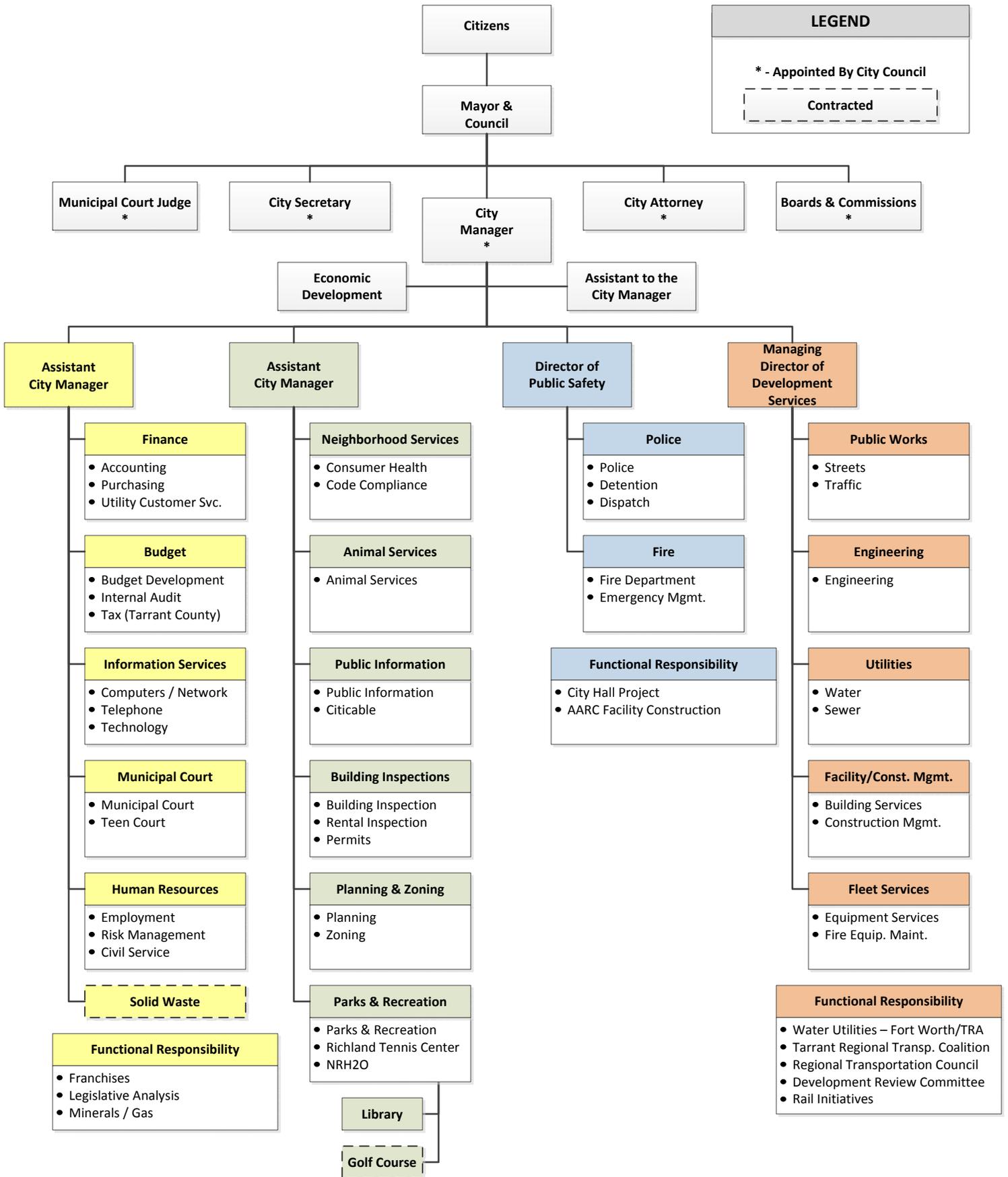
**City of North Richland Hills  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2013**

Executive Director/CEO

# ORGANIZATION CHART



# CITY OF NORTH RICHLAND HILLS, TEXAS

List of Principal Officials  
September 30, 2014

MAYOR  
MAYOR PRO TEM, COUNCIL MEMBER, PLACE 2  
COUNCIL MEMBER, PLACE 1  
COUNCIL MEMBER, PLACE 3  
COUNCIL MEMBER, PLACE 4  
COUNCIL MEMBER, PLACE 5  
COUNCIL MEMBER, PLACE 6  
COUNCIL MEMBER, PLACE 7

City Manager  
Assistant City Manager  
Assistant City Manager  
Director of Public Safety  
Managing Director of Development Services  
Managing Director of Community Services  
City Secretary  
City Attorney  
Director of Human Resources  
Director of Finance  
Director of Budget and Research  
Director of Economic Development  
Director of Planning and Development  
Public Information Officer  
Director of Information Services  
Municipal Court Administrator  
Director of Neighborhood Services  
Library Director  
Director of Fleet Services  
Fire Chief  
Director of Facilities & Construction

OSCAR TREVINO  
RITA WRIGHT OUJESKY  
TITO RODRIGUEZ  
TOM LOMBARD  
DR. TIM BARTH  
DAVID WHITSON  
SCOTT TURNAGE  
TIM WELCH

Mark Hindman  
Karen Bostic  
Paulette Hartman  
Jimmy Perdue  
Mike Curtis  
Vickie Loftice  
Alicia Richardson  
George Staples  
Patrick Hillis  
Vacant  
Mark Mills  
Craig Hulse  
Vacant  
Mary Peters  
Kyle Spooner  
Debbie Durko  
Stefanie Martinez  
Cecilia Hurt Barham  
Vacant  
Stan Tinney  
Chris Amarante

# Financial Section



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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of North Richland Hills, Texas (the City) as of and for the year ended September 30, 2014, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary and pension/other post-employment benefit information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information including the combining fund statements and budget to actual schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Honorable Mayor and Members of the City Council  
City of North Richland Hills, Texas  
Page 3

*Other Information*

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The accompanying information in the introductory and statistical sections listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has 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 it.

*BKD, LLP*

Dallas, Texas  
February 18, 2015

CITY OF NORTH RICHLAND HILLS, TEXAS  
Management's Discussion and Analysis  
September 30, 2014

The City of North Richland Hills, Texas (the "City") Management's Discussion and Analysis ("MD&A") is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

MD&A is designed to focus on the current year's activities, resulting changes, and currently known facts, and should be read in conjunction with the City's financial statements (beginning on page 19).

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the fiscal year ended September 30, 2014 by over \$324.9 million (net position). Of this amount, approximately \$61.7 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$2 million in fiscal year 2014. Additional details of this increase may be found beginning on page 21.
- As of September 30, 2014, the City's governmental funds reported combined fund balances of \$100,215,236 which represents an increase of \$172,588 in comparison to the prior fiscal year's ending balance.
- Approximately 22.5% of total governmental fund balance, or \$22,541,942, is available for appropriation at the City's discretion (assigned and unassigned fund balance).
- The City's objective regarding General Fund fund balance is to maintain a minimum unassigned fund balance to operate the City for a period of 60 days or 15% of the following year's appropriated budgeted expenditures. This objective was met at year end.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$9,070,595 or 22.8% of General Fund actual expenditures for 2014.
- The City's total debt increased by approximately \$15,893,609 during the current fiscal year. This increase represents issuance of \$29,835,000 in general obligation bonds and certificate of obligations, net of scheduled principal payments and debt refundings.

### Overview of the Financial Statements

MD&A is intended to introduce the reader to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other required supplementary information in addition to the basic financial statements.

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 private-sector business.

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. 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 earned, unused vacation leave). Both

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the Statement of Net Position and the Statement of Activities are prepared using the accrual basis of accounting as opposed to the modified accrual basis used in governmental funds.

In the Statement of Net Position and the Statement of Activities, the City's operations are separated into two types of activities:

- Governmental activities - Most of the City's basic services are reported here, including the activities of public safety, culture and recreation, public works, and general government. Property taxes, sales taxes, and franchise fees finance most of these activities.
- Business-type activities - For this type of activity, the City charges a fee to customers to cover all or most of the cost of services provided including the recovery of costs of capital assets used in the delivery of such services. The City's water and sewer, golf course, and aquatic park activities are reported here.

The government-wide financial statements can be found on pages 19 – 21 of the comprehensive annual financial 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. Fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law, bond covenants, or Council ordinance. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

- Governmental funds - The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances available for appropriation at year-end. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. Statements of governmental funds provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources available for appropriation in the near future to finance City programs. By comparing information presented for governmental funds with similar information presented for *governmental activities* in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences between *governmental activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

The City maintains six major individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds (pages 22 - 31). The General Fund, General Debt Service Fund, General Capital Projects Fund, Parks and Recreation Development Fund, Gas Development, and Tax Increment Finance District No. 2 are the major governmental funds of the City. Data from the other non-major governmental funds are combined into a single, aggregated presentation in the governmental statements.

- Proprietary funds - The objective of proprietary funds is to charge customers, both internal and external, for services provided an amount sufficient to cover virtually all costs associated with providing the services including recovery of amounts required to replace assets used in the delivery of such services. These services are generally reported in proprietary funds. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are almost identical to the business-type activities that are reported in the government-wide statements, but provide more detail and additional information, such as the statement of cash flows. The internal service funds (the other component of proprietary funds) are utilized to report activities that provide supplies and services for the City's other programs and activities, such as the City's facilities maintenance and construction services, fleet management, employee and property insurance coverage, and telephone and computer services. Because these services benefit both

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governmental and business-type functions, they have been included in both the governmental and business-type activities in the government-wide financial statements.

The City maintains three enterprise funds. The City uses enterprise funds to account for its provision of water and wastewater services, golf course operations, and water park activities. The City has two major proprietary funds: Utility and Aquatic Park. Golf course is considered a non-major fund. Financial statements for the enterprise funds can be found on pages 32 – 35 of the report.

Notes to the financial statements - The notes to the financial statements provide additional information that is essential for 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 39 - 70 of this report.

**Government-Wide Financial Analysis**

The government-wide financial analysis highlights the information contained in the Statement of Net Position and Statement of Activities. The City's combined net position was \$324,920,516 as of September 30, 2014. Analyzing the net position of governmental and business-type activities separately, governmental activities total net position was \$240,342,055 and business-type activities total net position was \$84,578,461. This analysis focuses on the net position and changes in program and general revenues and significant expenses of the City's governmental and business-type activities.

Statement of Net Position – The largest portion of the City's net position (78.58%) reflects its net investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses capital assets to provide services to citizens; consequently, capital assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these obligations. The following table presents the condensed government-wide statement of net position as of September 30, 2014 and 2013. Current and other assets include restricted deposit and investment balances.

Schedule of Assets, Liabilities, and Net Position  
Amounts shown in thousands (\$000's)  
As of September 30,

|                                      | Governmental Activities |                   | Business-Type Activities |                  | Total             |                   |
|--------------------------------------|-------------------------|-------------------|--------------------------|------------------|-------------------|-------------------|
|                                      | 2014                    | 2013              | 2014                     | 2013             | 2014              | 2013              |
| Current and other assets             | \$ 122,693              | \$ 117,263        | \$ 39,376                | \$ 40,503        | \$ 162,069        | \$ 157,766        |
| Capital assets, net                  | 264,349                 | 240,792           | 70,978                   | 73,815           | 335,327           | 314,607           |
| <b>Total Assets</b>                  | <b>387,042</b>          | <b>358,055</b>    | <b>110,354</b>           | <b>114,318</b>   | <b>497,396</b>    | <b>472,373</b>    |
| Total deferred outflows of resources | 267                     | 263               | 22                       | 21               | 289               | 284               |
| Long-term liabilities                | 132,973                 | 106,562           | 19,343                   | 20,960           | 152,316           | 127,522           |
| Other liabilities                    | 13,788                  | 15,234            | 6,415                    | 6,774            | 20,203            | 22,008            |
| <b>Total liabilities</b>             | <b>146,761</b>          | <b>121,796</b>    | <b>25,758</b>            | <b>27,734</b>    | <b>172,519</b>    | <b>149,530</b>    |
| Total deferred inflows of resources  | 206                     | 231               | 40                       | 45               | 246               | 276               |
| <b>Net Position:</b>                 |                         |                   |                          |                  |                   |                   |
| Net investments in capital assets    | 196,927                 | 205,398           | 58,376                   | 62,044           | 255,303           | 267,442           |
| Restricted                           | 4,116                   | 4,624             | 3,788                    | 3,762            | 7,904             | 8,386             |
| Unrestricted                         | 39,299                  | 26,269            | 22,414                   | 20,754           | 61,713            | 47,023            |
| <b>Total net position</b>            | <b>\$ 240,342</b>       | <b>\$ 236,291</b> | <b>\$ 84,578</b>         | <b>\$ 86,560</b> | <b>\$ 324,920</b> | <b>\$ 322,851</b> |

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Statement of Activities – Governmental activities increased the City of North Richland Hills' net position by \$4,051,024 in fiscal year 2014, and business-type activities decreased net position by (\$1,981,450). The following table presents the condensed government-wide statement of activities for the years ended September 30, 2014 and 2013.

Changes in Net Position  
Amounts shown in thousands (000's)  
Year Ended September 30,

|  | Governmental Activities |                   | Business-Type Activities |                  | Total             |                   |
|--|-------------------------|-------------------|--------------------------|------------------|-------------------|-------------------|
|  | 2014                    | 2013              | 2014                     | 2013             | 2014              | 2013              |
| Revenues:  |                         |                   |                          |                  |                   |                   |
| Program revenues:                                    |                         |                   |                          |                  |                   |                   |
| Charges for services                                 | \$ 13,414               | \$ 13,640         | \$ 36,818                | \$ 36,909        | \$ 50,232         | \$ 50,549         |
| Operating grants and contributions                   | 2,826                   | 2,545             | 85                       | 139              | 2,911             | 2,684             |
| Capital grants and contributions                     | 2,676                   | 2,939             | -                        | 7                | 2,676             | 2,946             |
| General revenues:                                    |                         |                   |                          |                  |                   |                   |
| Property tax   | 24,903                  | 24,126            | -                        | -                | 24,903            | 24,126            |
| Sales tax  | 18,008                  | 17,360            | -                        | -                | 18,008            | 17,360            |
| Mixed beverage                                       | 130                     | 117               | -                        | -                | 130               | 117               |
| Franchise taxes                                      | 4,333                   | 4,167             | -                        | -                | 4,333             | 4,167             |
| Occupancy taxes                                      | 207                     | 221               | -                        | -                | 207               | 221               |
| Unrestricted investment earnings                     | 320                     | 259               | 20                       | 81               | 340               | 340               |
| Miscellaneous  | 142                     | 205               | 300                      | 5                | 442               | 210               |
| Total revenue  | <u>66,959</u>           | <u>65,579</u>     | <u>37,223</u>            | <u>37,141</u>    | <u>104,182</u>    | <u>102,720</u>    |
| Expenses:  |                         |                   |                          |                  |                   |                   |
| General government                                   | 11,226                  | 10,656            | -                        | -                | 11,226            | 10,656            |
| Public safety  | 31,035                  | 30,612            | -                        | -                | 31,035            | 30,612            |
| Culture and recreation                               | 11,931                  | 11,634            | -                        | -                | 11,931            | 11,634            |
| Public works   | 8,962                   | 8,399             | -                        | -                | 8,962             | 8,399             |
| Interest and other fees                              | 3,916                   | 3,674             | -                        | -                | 3,916             | 3,674             |
| Utility  | -                       | -                 | 28,067                   | 27,623           | 28,067            | 27,623            |
| Aquatic park   | -                       | -                 | 4,543                    | 4,749            | 4,543             | 4,749             |
| Golf course  | -                       | -                 | 2,433                    | 2,566            | 2,433             | 2,566             |
| Total expenses                                       | <u>67,070</u>           | <u>64,975</u>     | <u>35,043</u>            | <u>34,938</u>    | <u>102,113</u>    | <u>99,913</u>     |
| Increase (decrease) in net position before transfers | (111)                   | 604               | 2,180                    | 2,203            | 2,069             | 2,807             |
| Transfers between governmental and Business-Type     | 4,162                   | 3,675             | (4,162)                  | (3,675)          | -                 | -                 |
| Net Increase (decrease) in net position              | <u>4,051</u>            | <u>4,279</u>      | <u>(1,982)</u>           | <u>(1,472)</u>   | <u>2,069</u>      | <u>2,807</u>      |
| Net position - beg. Bal.                             | 236,291                 | 232,012           | 86,560                   | 88,032           | 322,851           | 320,044           |
| Net position - end of year                           | <u>\$ 240,342</u>       | <u>\$ 236,291</u> | <u>\$ 84,578</u>         | <u>\$ 86,560</u> | <u>\$ 324,920</u> | <u>\$ 322,851</u> |

Governmental activities – Overall assets for Governmental Activities increased \$28.9 million or 8.1% in 2014 over 2013. This increase can be traced to the capital asset activity. Capital assets increased \$23,557,057 (majority in construction in progress) in 2014. This activity was related to capital improvement projects, specifically the construction of a new \$70 million dollar city hall municipal facility expected to be completed early in 2016. Another significant balance change in assets is due to internal balances between governmental activities and business-type activities. The increase of \$3.2 million transpired for advance of funding for economic development projects. The advance is planned to be transferred back to business-type activities in the next fiscal year.

Correlating to the increase in assets due to construction projects, debt issued increased liability totals by 20.5% or approximately \$24.9 million over 2013 balances. Final debt was issued for funding of the new city hall facility construction (approximately \$18 million).

Governmental activities increased the City of North Richland Hills' net position by approximately \$4.05 million in fiscal year 2014. The City had an increase in tax revenues of \$1,589,431 during 2014. Property and Sales tax revenues incurred the biggest gains of this total with increases of \$776,973 and \$648,065 respectively. The increase to Property Tax base is due to new construction and the property value growth in established housing

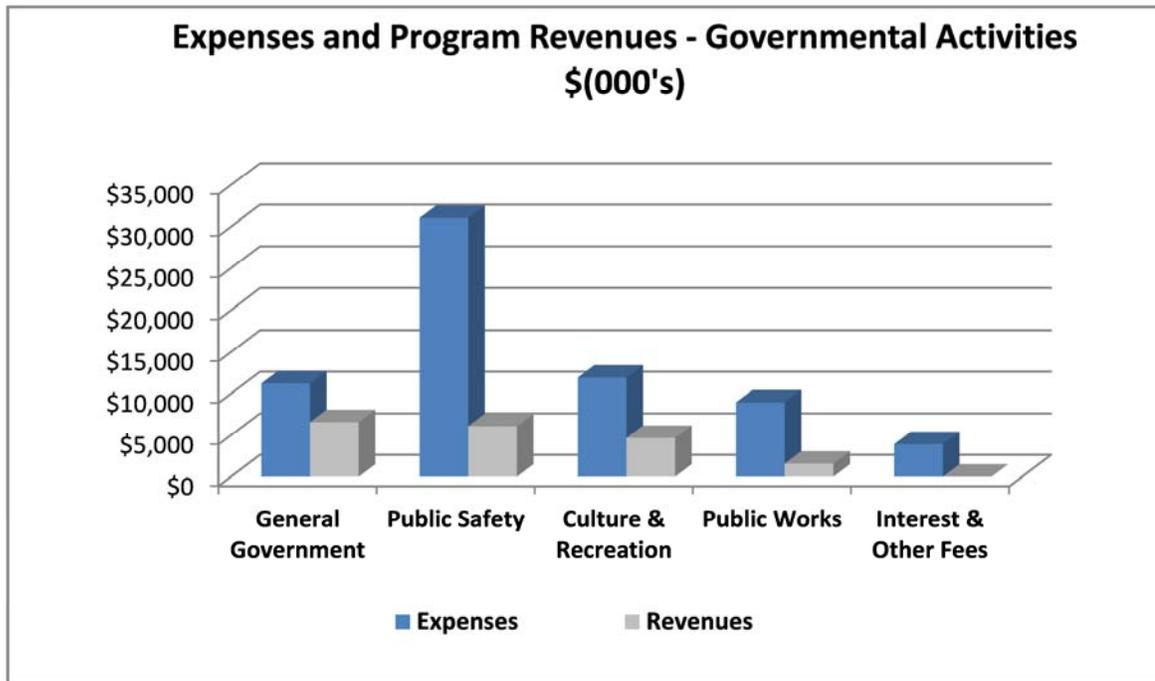
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has increased property tax revenues. Sales taxes continues to see a steady growth due to new retail businesses and finalization of major interstate corridor construction that caused sales tax base to level in prior years.

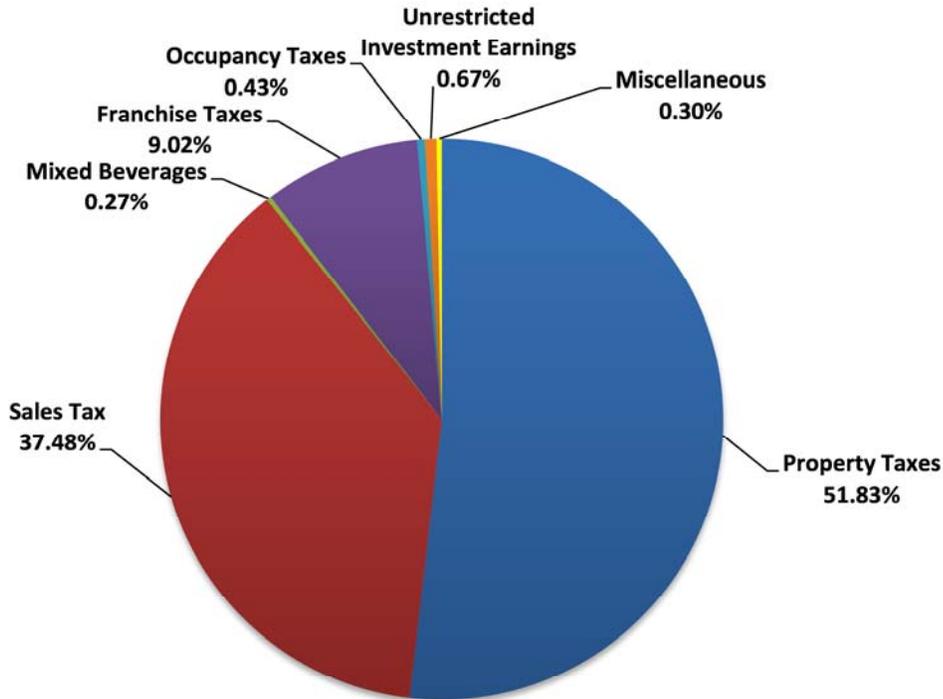
Charges for services decreased \$225,580 or approximately 1.7%. This decrease was primarily a result in a decrease to public safety activity. Ambulance services had fewer emergency service runs for the year resulting in lower income for the activity.

Operating Grants and Contributions saw an increase in 2014 versus 2013 activity. This increase totaled \$281,122. This increase is a result of continued sharing of services with other contiguous municipalities surrounding the City. Capital Grants and Contributions saw a decrease of \$262,579. This decrease is the expected decrease of major grant capital projects entering into final phases. The City expects this decrease to continue into 2015 fiscal year and then in 2016 capital grants will then see another influx of activity. Streets infrastructure grants and parks and recreation capital development grants are the primary sources of these funds.

The Governmental activities saw a total increase in expenses totaling \$2,096,237 or approximately 3.2% above 2013 levels. This change appears in an increase across all activity divisions. However, key non fund level activity arises within certain expenses that are only recognized in the government wide statements. Part of this increase is directly correlated to other post-employment benefits expenses ("OPEB"). OPEB costs continue to rise and like general health care, such services are trending up. This upward trend in costs increased the liability this year by \$1,898,168. Depreciation expense saw minor increase of \$48,601. Debt service interest and fiscal charge expense increased by approximately 7% or \$241,852. This increase is expected by City Council and Management. The City is at the end phase of issuing a total of \$70 million in new debt for construction of a new municipal city hall facility. The City has projected continued increases in interest and fiscal service charges in the next years until principal repayments begin. The other changes creating an decrease in overall governmental activities are fund level. Refer to the fund level financial analysis section for further details.



## General Revenues by Source - Governmental Activities



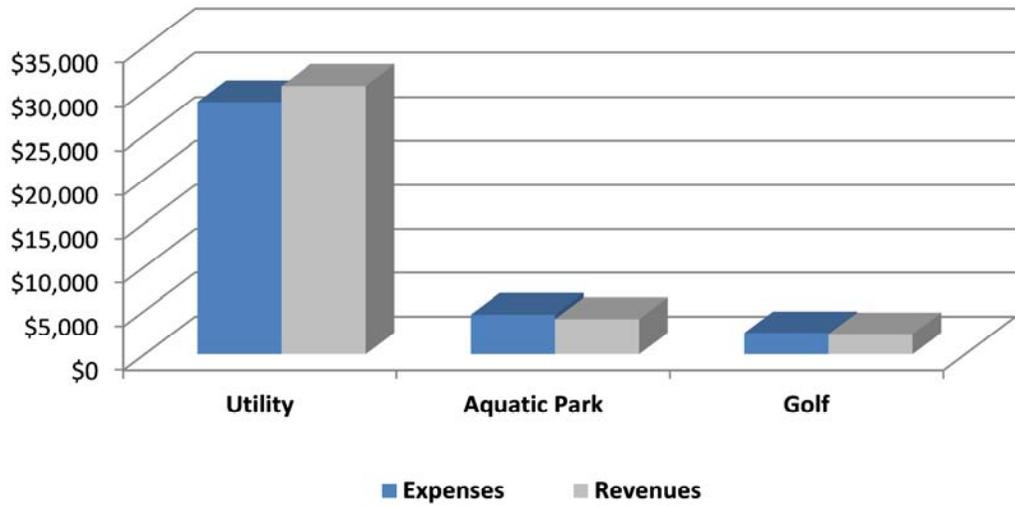
**Business-type activities** – Business-type activities resulted in a decrease to the City's total net position of \$1,981,450 in 2014. Overall the Utility operations (before general revenues and transfers to governmental activities) was an increase of \$2,501,634. The Utility fund had its final rate increase from the 2010 Rate Study plan and thus utility revenues are covering daily operational costs of the system. Transfers out of the Utility Fund into General Fund for franchise fees and administration absorbed any gain operationally. The overall decrease for Business-type activities related to Utility fund share is (\$994,140) which is inclusive of General Fund transfer out totaling \$3,824,547.

Aquatic park and Golf course both had net decreases in net position (before general revenues and transfers to governmental activities) of (\$522,996) and (\$118,490), respectively.

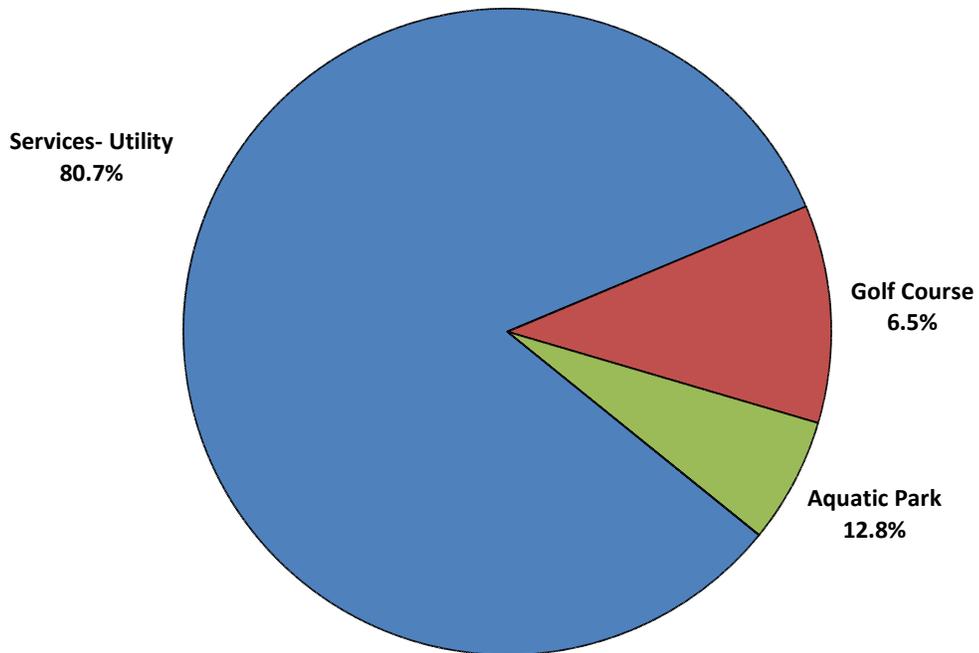
The Aquatic park and Golf course operations are funded by consumers who utilize the facilities of both of these programs. Both functions provide for recreational and entertainment venues for the consumers. The Aquatic Park saw a decrease in net position because attendance to the park was down 2014 versus 2013. This attendance change was due to weather events (rain and storms). The City does not predict that conditions will remain on the down trend. The golf course was negatively affected by a major interstate corridor construction project that impeded the consumer's access to the golf course. This construction is now finalized so future periods should rebound from the limited access.

A majority of the decrease in net position is directly related to net transfers out of business-type activities to governmental activities for shared costs of administration, finance, and indirect costs.

**Expenses and Program Revenues - Business-Type Activities  
 \$(000's)**



**Revenues by Source - Business-type Activities**



## Fund Level Financial Analysis

Governmental Funds. The focus of the City of North Richland Hills' 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, the unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City's Council itself, or the designated individual delegated the authority to assign resources for use for particular purposes (Council Designated).

At September 30, 2014, the City's governmental funds reported combined fund balances of \$100,215,236, an increase of \$172,588 in comparison with prior year. Unassigned fund balance, \$8,056,093, is available for spending at the government's discretion. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form (\$500,747), 2) legally required to be maintained intact or to be used for a particular purpose (\$75,087,942), 3) committed for particular purposes (\$2,084,605), or 5) assigned for particular purposes (\$14,485,849).

The general fund is the chief operating fund of the City. For 2014, the general fund unassigned fund balance was \$9,070,595. Total general fund balance decreased \$1,134,039 for 2014. Unassigned fund balance represents approximately, 22.3% of total general fund expenditures, while total fund balance represents 34.7% of that same amount. The general fund balance decrease was utilization of restricted fund balance for State designated franchise peg fee and court security fees revenues. The utilization was in the form of a transfer out for a construction project directly related to these revenue sources. Another one-time transfer went to Permanent Street Maintenance construction project. This transfer totaled \$210,689. These three one-time transfers totaled approximately \$1.26 million which is the main reason for the decrease to the overall general fund balance.

The General Capital Projects fund increased governmental fund balance by approximately \$9.9 million. The City did issue an additional \$22,360,000 million in new bonds that remained partially unused at year end. An additional transfer in from various funds for the new city hall facility project was received totaling \$10,150,084. These funds were received from other funds who allocated prior years fund balance toward the construction project, thus reducing the amount of debt to be issued. The expenditures to offset these transfers are not expected until 2016.

General Debt Service fund saw a decrease to fund balance of \$833,218. The decrease is associated with plan usage of debt service reserves to offset principal and interest payments for 2014. The debt service fund had accumulated a \$2.6 million in fund balance at the end of 2013. City Council and City Management planned the draw down to offset transfers out of regular operations for debt service requirements.

Parks and Recreation Development Corporation decreased governmental fund balance by \$332,157. The decrease is a net of an increase to recreation centre assigned fund balance in the amount of \$380,998. Thus the actual net decrease for parks and recreation general operations (separate from the recreation centre) totaled approximately \$723,154. This decrease is associated with a partial deferred inflow of grants outstanding at year end totaling \$237,539. This should be received in 2015 fiscal year and will offset the 2014 net decrease. The other amount of the decrease is related to construction projects of a major walking and bike trail. This portion represents grant city match requirements.

The Gas Development fund incurred a decrease to governmental fund balance totaling \$6,209,516. The city had two major transactions that individually totaled \$3,814,337 and \$3,822,265 that were one-time expenditures. The \$3,814,337 is the purchase of a building that is being used for an economic development program. Though the building is being temporarily utilized as a storage facility, the City does plan to sell it for future economic business growth. The other amount, \$3,822,265, is reserves isolated in prior years to offset municipal city hall facility construction. More details about the transfer are mentioned within the General Capital Projects analysis above.

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Proprietary Funds. The proprietary funds provide the same type of information found in the government-wide financial statements.

General Fund Budgetary Highlights

Original budget compared to final budget. During the fiscal year, there were sufficient reasons to revise original estimated revenues and original appropriations. Revenue amendments resulted in a total decrease of revenue projections (before appropriation of fund balance) by \$640,684 and appropriations were increased \$806,601.

Revenue original budget was revised during the year to a lower amount because of one main contributing source. Fines and forfeitures were revised down \$609,910 or approximately 23%. This revenue source is based on activity of citizens violating local laws (i.e. speeding tickets). Simply stated, the amount of fines assessed declined during 2014 compared to 2013. This revenue source is based on the number of fines and it is not easily predictable nor do these events follow trend lines. The City does not project this to be further declining in future operating periods.

Appropriations were amended to increase one time transfers of restricted reserves to construction projects for major facility construction and street maintenance. Overall appropriations for 2014 were revised up by \$806,601. This amount is directly related to additional transfers toward capital construction totaling approximately \$1.05 million dollars. Other departments decreased the appropriations allotted to them at the beginning of 2014. Mid-year revisions for individual departments were done to partially offset the increase in one time transfers out of the General Fund. Some major decreases in departmental level appropriations were City Management (\$67,479), Economic Development (\$21,959), and Parks and Recreation (\$36,362). These revisions decreased overall appropriations and offset the overall increase by \$125,800. Savings for these departmental level divisions were one time savings events and cannot be relied up in future years as consistent and normal decreased appropriations.

Final budget compared to actual results. The most significant differences between estimated revenues and estimated appropriations to actual were as follows:

| <u>Revenue source</u> | <u>Estimated<br/>Revenues</u> | <u>Actual<br/>Revenues</u> | <u>Difference</u> |
|-----------------------|-------------------------------|----------------------------|-------------------|
| Charges for services  | 3,384,632                     | 3,136,249                  | (248,383)         |
| Intergovernmental     | 4,391,834                     | 4,346,702                  | (45,132)          |

| <u>Expenditures</u>      | <u>Estimated<br/>Appropriations</u> | <u>Actual<br/>Expenses</u> | <u>Difference</u> |
|--------------------------|-------------------------------------|----------------------------|-------------------|
| Planning and Inspections | 998,276                             | 1,001,317                  | (3,041)           |
| Parks & Recreation       | 2,027,366                           | 2,029,723                  | (2,357)           |
| Police                   | 12,279,632                          | 12,387,294                 | (107,662)         |

Revenue sources saw negative variances in several categories but the most significant variance was in Charges for Services. Charges for Services had a negative -7.34% or (\$248,383) variance. This variance is directly related to a decrease in ambulance service call fees in 2014 versus 2013. Intergovernmental had a 1% decrease or (\$45,132) variance. This was an unexpected decrease in actual revenues. It is related to shared services revenue for our Police Department combined dispatch and jail center.

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Capital Asset and Debt Administration

Capital assets - At the end of fiscal year 2014, the City had \$335.3 million (net of accumulated depreciation) invested in a broad range of capital assets including, but not limited to, police and fire equipment, buildings, park facilities, roads, bridges, aquatic park facilities, golf course assets, and the water and sewer system. The following table provides capital asset balances net of accumulated depreciation for each major category for both governmental and business-type activities for the fiscal years ending September 30, 2014 and 2013.

Capital Assets  
(net of Accumulated Depreciation)  
Amounts shown in thousands (000's)

|                        | <u>Governmental Activities</u> |                  | <u>Business-Type Activities</u> |                 | Total            | Total            |
|------------------------|--------------------------------|------------------|---------------------------------|-----------------|------------------|------------------|
|                        | 2014                           | 2013             | 2014                            | 2013            | 2014             | 2013             |
| Land & land imp.       | \$ 82,376                      | \$ 79,581        | \$ 2,579                        | \$ 2,579        | \$ 84,955        | \$ 82,160        |
| Works of art           | 310                            | 298              | -                               | -               | 310              | 298              |
| Buildings & imp.       | 41,032                         | 41,761           | 4,405                           | 2,161           | 45,437           | 43,922           |
| Other imp.             | 98,562                         | 100,561          | 10,345                          | 13,279          | 108,907          | 113,840          |
| Utility plant          | -                              | -                | 49,225                          | 50,277          | 49,225           | 50,277           |
| Machinery & equip.     | 8,245                          | 7,719            | 2,703                           | 1,923           | 10,948           | 9,642            |
| Assets held for resale | 61                             | -                | -                               | -               | 61               | -                |
| Const. in progress     | 33,763                         | 10,872           | 1,721                           | 3,596           | 35,484           | 14,468           |
| Total capital assets   | <u>\$264,349</u>               | <u>\$240,792</u> | <u>\$70,978</u>                 | <u>\$73,815</u> | <u>\$335,327</u> | <u>\$314,607</u> |

This year's major additions included:

| Description                                       | Amount    |
|---|-----------|
| Ambulance and Firetruck                           | 771,694   |
| Building  | 1,373,381 |
| Computer and Machinery Equipment                  | 669,542   |
| Various Vehicle                                   | 554,763   |
| Various Water/Sewer Replacements and Improvements | 3,409,059 |
| Various Land Acquisitions                         | 2,795,614 |
| Various street improvement                        | 4,709,771 |
| Capitalized Interest                              | 5,855     |
| House and land held for resale                    | 60,562    |
| Works of Art                                      | 12,000    |

Construction commitments and other limitations affecting availability of fund resources:

The City prepares an annual Capital Improvement Projects budget that assigns specific funds and resources for use to only these projects. Until appropriations are removed these resources are unavailable for general operations or new capital projects.

The City currently has committed resources totaling \$74,449,669 for both the Governmental and Business-type activities.

These resources will be used to purchase major equipment, construct new buildings, and add new infrastructure such as water and sewer lines and streets.

More information on capital assets can be found in footnote III.C. in the Footnotes to the financial statements.

CITY OF NORTH RICHLAND HILLS, TEXAS  
Management's Discussion and Analysis  
September 30, 2014

Debt - At September 30, 2014 and 2013, the City had the following debt outstanding:

|                            | Outstanding Debt                   |                  |                          |                  |                  |                  |
|----------------------------|------------------------------------|------------------|--------------------------|------------------|------------------|------------------|
|                            | Amounts shown in thousands (000's) |                  |                          |                  |                  |                  |
|                            | Governmental Activities            |                  | Business-Type Activities |                  | Total            |                  |
|                            | 2014                               | 2013             | 2014                     | 2013             | 2014             | 2013             |
| General obligation bonds   | \$ 79,927                          | \$ 68,945        | \$ 1,693                 | \$ 1,760         | \$ 81,620        | \$ 70,705        |
| Certificates of obligation | 36,050                             | 30,910           | 15,280                   | 15,300           | 51,330           | 46,210           |
| Sales tax revenue bonds    | 105                                | 210              | -                        | -                | 105              | 210              |
| Loans payable              | -                                  | 311              | -                        | -                | -                | 311              |
| Capital lease              | -                                  | -                | 244                      | 317              | 244              | 317              |
| <b>Totals</b>              | <b>\$116,082</b>                   | <b>\$100,376</b> | <b>\$ 17,217</b>         | <b>\$ 17,377</b> | <b>\$133,299</b> | <b>\$117,753</b> |

In fiscal year 2014, the City issued 29,835,000 in new debt. The presently outstanding general obligation debt of the City is rated "AA2" by Moody's and "AA+" by S&P. The City also has issues outstanding which are rated "Aaa" by Moody's and "AAA" by S&P through credit enhancement in the form of municipal bond insurance policies.

As a home rule city, the City is not limited by 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 debt. The City's property tax rate is \$0.61 per \$100 assessed valuation. The current ratio of tax-supported debt to assessed value of all taxable property is 1.25%.

Additional detailed information on long-term debt activity is disclosed in the notes (III-E) to the financial statements.

**Economic Factors and Next Year's Budgets and Rates**

The two largest revenue sources for the General Fund are property tax revenues and sales tax receipts. After working through a struggling economy, the City of North Richland Hills is finally experiencing a stabilizing economy. Given this rise, the budget process has predicted a steady growth in property values and sales tax retail base. For budget year 2014-2015, sales tax receipts are anticipated to be 2% higher than the 2013-2014 budget year. Property tax values are anticipated to continue rising due to steady new construction growth plus the stabilization of property values. The City of North Richland Hills expects a 3% growth in property values.

The fiscal year 2014-2015 budget maintains an increase in the property tax rate. For fiscal year 2014-2015 the tax rate distribution (per \$100 assessed value) for the City is as follows:

| Tax Rate Distribution Schedule           | Tax Rate<br>Distribution |
|--|--------------------------|
| General Fund - Maintenance & Operations  | \$ 13,820,165            |
| Debt Service Fund - Interest and Sinking | 8,840,000                |
| Total distribution of tax proceeds       | <u>\$ 22,660,165</u>     |

By policy, the City maintains an unassigned General fund balance of 15% of budgeted expenditures. The use of available fund balance for one-time expenditures eliminates the financial impact of such purchases on future budgets.

CITY OF NORTH RICHLAND HILLS, TEXAS  
Management's Discussion and Analysis  
September 30, 2014

**Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of North Richland Hills, Director of Finance, P.O. Box 820609, North Richland Hills, Texas 76182-0609.



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## **BASIC FINANCIAL STATEMENTS**



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**CITY OF NORTH RICHLAND HILLS, TEXAS**

Statement of Net Position

September 30, 2014

|  | Primary Government         |                             |                       |
|--|----------------------------|-----------------------------|-----------------------|
|  | Governmental<br>Activities | Business-Type<br>Activities | Total                 |
| <b>Assets</b>                                |                            |                             |                       |
| <b>CURRENT ASSETS</b>                        |                            |                             |                       |
| Cash and cash equivalents                    | \$ 11,213,748              | \$ 3,934,167                | \$ 15,147,915         |
| Investments                                  | 23,970,520                 | 12,025,466                  | 35,995,986            |
| Receivables, net of allowances:              |                            |                             |                       |
| Accounts                                     | 390,455                    | 4,743,576                   | 5,134,031             |
| Property taxes                               | 172,336                    | -                           | 172,336               |
| Other taxes                                  | 3,516,262                  | -                           | 3,516,262             |
| Interest receivable                          | 146,205                    | 22,520                      | 168,725               |
| Special assessments                          | 86,147                     | -                           | 86,147                |
| Intergovernmental                            | 1,645,301                  | 479,891                     | 2,125,192             |
| Other  | 323,190                    | -                           | 323,190               |
| Prepays                                      | 495,699                    | 39,383                      | 535,082               |
| Inventories, at cost                         | 223,116                    | 384,804                     | 607,920               |
| Internal balances                            | (6,535,176)                | 6,535,176                   | -                     |
| Total current assets                         | <u>35,647,803</u>          | <u>28,164,983</u>           | <u>63,812,786</u>     |
| <b>NONCURRENT ASSETS</b>                     |                            |                             |                       |
| Cash and cash equivalents                    | 65,048,372                 | 9,401,297                   | 74,449,669            |
| Investments                                  | 21,997,270                 | 1,809,560                   | 23,806,830            |
| Capital assets - net:                        |                            |                             |                       |
| Land and nondepreciable land<br>improvements | 82,376,461                 | 2,579,137                   | 84,955,598            |
| Buildings and improvements                   | 60,705,375                 | 4,405,053                   | 65,110,428            |
| Improvements other than buildings            | 186,824,121                | 24,549,098                  | 211,373,219           |
| Utility plant                                | -                          | 102,651,465                 | 102,651,465           |
| Machinery and equipment                      | 24,386,438                 | 4,372,935                   | 28,759,373            |
| Artwork and historical treasures             | 310,208                    | -                           | 310,208               |
| Assets held for sale                         | 60,562                     | -                           | 60,562                |
| Construction in progress                     | 33,763,400                 | 1,721,307                   | 35,484,707            |
| Accumulated depreciation                     | (124,077,625)              | (69,300,580)                | (193,378,205)         |
| Total capital assets - net                   | <u>264,348,940</u>         | <u>70,978,415</u>           | <u>335,327,355</u>    |
| Total noncurrent assets                      | <u>351,394,582</u>         | <u>82,189,272</u>           | <u>433,583,854</u>    |
| Total assets                                 | <u>387,042,385</u>         | <u>110,354,255</u>          | <u>497,396,640</u>    |
| <b>Deferred Outflows of Resources</b>        |                            |                             |                       |
| Deferred loss on refunding                   | 266,749                    | 22,445                      | 289,194               |
| Total deferred outflows of resources         | <u>266,749</u>             | <u>22,445</u>               | <u>289,194</u>        |
| <b>Liabilities</b>                           |                            |                             |                       |
| <b>CURRENT LIABILITIES</b>                   |                            |                             |                       |
| Accounts payable and accrued liabilities     | 7,074,864                  | 2,726,858                   | 9,801,722             |
| Deposits and other liabilities               | 5,089,432                  | 108,994                     | 5,198,426             |
| Retainage payable                            | 828,480                    | 50,167                      | 878,647               |
| Compensated absences                         | 162,104                    | 33,660                      | 195,764               |
| Unearned revenue                             | 186,109                    | 80,906                      | 267,015               |
| Accrued interest payable                     | 481,216                    | 72,385                      | 553,601               |
| Bonds payable                                | 9,839,376                  | 1,440,624                   | 11,280,000            |
| Capital lease payable                        | -                          | 75,265                      | 75,265                |
| Intergovernmental payables                   | 128,249                    | -                           | 128,249               |
| Total current liabilities                    | <u>23,789,830</u>          | <u>4,588,859</u>            | <u>28,378,689</u>     |
| <b>NONCURRENT LIABILITIES</b>                |                            |                             |                       |
| Customers' deposits                          | -                          | 2,453,773                   | 2,453,773             |
| Bonds payable                                | 107,827,443                | 15,654,281                  | 123,481,724           |
| Capital lease payable                        | -                          | 169,268                     | 169,268               |
| Compensated absences                         | 2,717,860                  | 393,704                     | 3,111,564             |
| Intergovernmental payables                   | -                          | 922,189                     | 922,189               |
| Other post employment benefits obligation    | 8,661,205                  | 1,106,219                   | 9,767,424             |
| Net pension obligation                       | 3,764,832                  | 470,118                     | 4,234,950             |
| Total noncurrent liabilities                 | <u>122,971,340</u>         | <u>21,169,552</u>           | <u>144,140,892</u>    |
| Total liabilities                            | <u>146,761,170</u>         | <u>25,758,411</u>           | <u>172,519,581</u>    |
| <b>Deferred Inflows of Resources</b>         |                            |                             |                       |
| Deferred gain on refunding                   | 205,909                    | 39,828                      | 245,737               |
| Total deferred inflows of resources          | <u>205,909</u>             | <u>39,828</u>               | <u>245,737</u>        |
| <b>Net Position</b>                          |                            |                             |                       |
| Net investment in capital assets             | 196,926,762                | 58,375,965                  | 255,302,727           |
| Restricted for:                              |                            |                             |                       |
| Debt service                                 | 4,115,704                  | -                           | 4,115,704             |
| Impact fees restricted for construction      | -                          | 3,788,127                   | 3,788,127             |
| Unrestricted                                 | 39,299,589                 | 22,414,369                  | 61,713,958            |
| Total net position                           | <u>\$ 240,342,055</u>      | <u>\$ 84,578,461</u>        | <u>\$ 324,920,516</u> |

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



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**CITY OF NORTH RICHLAND HILLS, TEXAS**

Statement of Activities

Year Ended September 30, 2014

| Functions/Programs  | Expenses              | Program Revenues     |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                        |
|---|-----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|------------------------|
|   |                       | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                           | Business-type Activities | Total                  |
| <b>Primary Government</b>                                   |                       |                      |                                    |                                  |   |                          |                        |
| <b>Governmental activities:</b>                             |                       |                      |                                    |                                  |   |                          |                        |
| General government  | \$ 11,226,130         | \$ 5,521,811         | \$ 413,398                         | \$ 653,617                       | \$ (4,637,304)                                    |                          | \$ (4,637,304)         |
| Public safety   | 31,035,115            | 3,655,306            | 2,318,166                          | 117,540                          | (24,944,103)                                      |                          | (24,944,103)           |
| Culture and recreation                                      | 11,931,205            | 3,100,292            | 94,716                             | 1,479,278                        | (7,256,919)                                       |                          | (7,256,919)            |
| Public works  | 8,962,500             | 1,136,920            | -                                  | 425,937                          | (7,399,643)                                       |                          | (7,399,643)            |
| Interest and other fees                                     | 3,915,632             | -                    | -                                  | -                                | (3,915,632)                                       |                          | (3,915,632)            |
| Total governmental activities                               | <u>67,070,582</u>     | <u>13,414,329</u>    | <u>2,826,280</u>                   | <u>2,676,372</u>                 | <u>(48,153,601)</u>                               |                          | <u>(48,153,601)</u>    |
| <b>Business-type activities:</b>                            |                       |                      |                                    |                                  |   |                          |                        |
| Utility   | 28,066,386            | 30,483,178           | 84,842                             | -                                |   | 2,501,634                | 2,501,634              |
| Aquatic park  | 4,542,966             | 4,019,970            | -                                  | -                                |   | (522,996)                | (522,996)              |
| Golf course   | 2,433,004             | 2,314,514            | -                                  | -                                |   | (118,490)                | (118,490)              |
| Total business-type activities                              | <u>35,042,356</u>     | <u>36,817,662</u>    | <u>84,842</u>                      | <u>-</u>                         |   | <u>1,860,148</u>         | <u>1,860,148</u>       |
| Total primary government                                    | <u>\$ 102,112,938</u> | <u>\$ 50,231,991</u> | <u>\$ 2,911,122</u>                | <u>\$ 2,676,372</u>              | <u>\$ (48,153,601)</u>                            | <u>\$ 1,860,148</u>      | <u>\$ (46,293,453)</u> |
| <b>General revenue:</b>                                     |                       |                      |                                    |                                  |   |                          |                        |
| <b>Taxes:</b>   |                       |                      |                                    |                                  |   |                          |                        |
| Property  |                       |                      |                                    |                                  | \$ 24,903,041                                     | \$ -                     | \$ 24,903,041          |
| Sales   |                       |                      |                                    |                                  | 18,007,872  | -                        | 18,007,872             |
| Mixed beverage  |                       |                      |                                    |                                  | 129,512   | -                        | 129,512                |
| Franchise   |                       |                      |                                    |                                  | 4,332,756   | -                        | 4,332,756              |
| Occupancy   |                       |                      |                                    |                                  | 206,930   | -                        | 206,930                |
| Unrestricted investment earnings                            |                       |                      |                                    |                                  | 320,460   | 20,007                   | 340,467                |
| Miscellaneous   |                       |                      |                                    |                                  | 142,074   | 300,555                  | 442,629                |
| Transfers between governmental and business-type activities |                       |                      |                                    |                                  | 4,162,160   | (4,162,160)              | -                      |
| Total general revenue and transfers                         |                       |                      |                                    |                                  | <u>52,204,805</u>                                 | <u>(3,841,598)</u>       | <u>48,363,207</u>      |
| Change in net position                                      |                       |                      |                                    |                                  | <u>4,051,204</u>                                  | <u>(1,981,450)</u>       | <u>2,069,754</u>       |
| Net position - beginning of year                            |                       |                      |                                    |                                  | <u>236,290,851</u>                                | <u>86,559,911</u>        | <u>322,850,762</u>     |
| Net position - end of year                                  |                       |                      |                                    |                                  | <u>\$ 240,342,055</u>                             | <u>\$ 84,578,461</u>     | <u>\$ 324,920,516</u>  |

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

CITY OF NORTH RICHLAND HILLS, TEXAS

Balance Sheet  
 Governmental Funds  
 September 30, 2014

|                                      | General Fund         | General Capital<br>Projects | General Debt<br>Service | Parks and Recreation<br>Development |
|--------------------------------------|----------------------|-----------------------------|-------------------------|-------------------------------------|
| <b>Assets</b>                        |                      |                             |                         |                                     |
| Cash and cash equivalents            | \$ 6,653,792         | \$ -                        | \$ -                    | \$ 689,049                          |
| Investments                          | 8,983,828            | -                           | -                       | 1,692,004                           |
| Receivables, net of allowance        |                      |                             |                         |                                     |
| Accounts                             | 293,615              | -                           | -                       | -                                   |
| Property taxes                       | 172,336              | -                           | -                       | -                                   |
| Other taxes receivable               | 1,922,856            | -                           | -                       | 769,209                             |
| Interest receivable                  | 5,034                | 72,927                      | 353                     | 868                                 |
| Special assessments receivable       | -                    | 86,147                      | -                       | -                                   |
| Intergovernmental receivables        | 50,397               | 849,557                     | -                       | 613,584                             |
| Other receivables                    | 112,044              | 69,985                      | -                       | 35,924                              |
| Due from other funds                 | 147,760              | -                           | -                       | -                                   |
| Prepaid items                        | 79,771               | 2,168                       | 3,140                   | 6,961                               |
| Inventories, at cost                 | 77,164               | -                           | -                       | 19,509                              |
| Advances to other funds              | 293,524              | -                           | -                       | -                                   |
| Restricted:                          |                      |                             |                         |                                     |
| Cash and cash equivalents            | -                    | 52,951,605                  | 746,188                 | -                                   |
| Investments                          | -                    | 12,499,459                  | 1,032,812               | -                                   |
| Total assets                         | <u>\$ 18,792,121</u> | <u>\$ 66,531,848</u>        | <u>\$ 1,782,493</u>     | <u>\$ 3,827,108</u>                 |
| <b>Liabilities</b>                   |                      |                             |                         |                                     |
| Accounts payable                     | \$ 1,003,439         | \$ 3,116,508                | \$ -                    | \$ 560,888                          |
| Retainage payable                    | -                    | 687,418                     | -                       | 141,062                             |
| Accrued liabilities                  | 777,366              | 6,398                       | -                       | 80,045                              |
| Intergovernmental payables           | -                    | -                           | -                       | -                                   |
| Deposits and other liabilities       | 2,885,018            | 697,406                     | -                       | 24,313                              |
| Advances from other funds            | -                    | -                           | -                       | -                                   |
| Unearned revenue                     | 145,734              | -                           | -                       | 39,742                              |
| Total liabilities                    | <u>4,811,557</u>     | <u>4,507,730</u>            | <u>-</u>                | <u>846,050</u>                      |
| <b>Deferred Inflows of Resources</b> |                      |                             |                         |                                     |
| Unavailable revenue - property taxes | 172,336              | -                           | -                       | -                                   |
| Unavailable revenue - grants         | -                    | 849,557                     | -                       | 237,539                             |
| Unavailable revenue - assessments    | -                    | 213,531                     | -                       | -                                   |
| Total deferred inflows of resources  | <u>172,336</u>       | <u>1,063,088</u>            | <u>-</u>                | <u>237,539</u>                      |

| <u>Gas Development</u> | <u>Tax Increment<br/>Finance District #2</u> | <u>Other<br/>Governmental</u> | <u>Total Governmental</u> |
|------------------------|--|-------------------------------|---------------------------|
| \$ 729,381             | \$ -   | \$ 1,181,246                  | \$ 9,253,468              |
| 1,423,807              | -  | 2,871,863                     | 14,971,502                |
| -                      | -  | 96,840                        | 390,455                   |
| -                      | -  | -                             | 172,336                   |
| -                      | -  | 824,198                       | 3,516,263                 |
| 829                    | 3,356  | 3,274                         | 86,641                    |
| -                      | -  | -                             | 86,147                    |
| -                      | -  | 131,763                       | 1,645,301                 |
| 57,937                 | -  | -                             | 275,890                   |
| -                      | -  | -                             | 147,760                   |
| -                      | -  | 18,510                        | 110,550                   |
| -                      | -  | -                             | 96,673                    |
| -                      | -  | -                             | 293,524                   |
| -                      | 4,643,118                                    | 4,115,623                     | 62,456,534                |
| -                      | 6,546,770                                    | 1,918,229                     | 21,997,270                |
| <u>\$ 2,211,954</u>    | <u>\$ 11,193,244</u>                         | <u>\$ 11,161,546</u>          | <u>\$ 115,500,314</u>     |
| \$ 217                 | \$ -   | \$ 176,641                    | \$ 4,857,693              |
| -                      | -  | -                             | 828,480                   |
| -                      | -  | 93,994                        | 957,803                   |
| -                      | -  | 128,249                       | 128,249                   |
| -                      | -  | 9                             | 3,606,746                 |
| 3,226,239              | -  | -                             | 3,226,239                 |
| -                      | -  | 633                           | 186,109                   |
| <u>3,226,456</u>       | <u>-</u>                                     | <u>399,526</u>                | <u>13,791,319</u>         |
| -                      | -  | -                             | 172,336                   |
| -                      | -  | 20,796                        | 1,107,892                 |
| -                      | -  | -                             | 213,531                   |
| <u>-</u>               | <u>-</u>                                     | <u>20,796</u>                 | <u>1,493,759</u>          |

(Continued)

CITY OF NORTH RICHLAND HILLS, TEXAS

Balance Sheet  
 Governmental Funds  
 September 30, 2014

| Fund Balance  | General Fund         | General Capital<br>Projects | General Debt<br>Service | Parks and Recreation<br>Development |
|---|----------------------|-----------------------------|-------------------------|-------------------------------------|
| Nonspendable:   |                      |                             |                         |                                     |
| Inventories   | 77,164               | -                           | -                       | 19,509                              |
| Prepays   | 79,771               | 2,168                       | 3,140                   | 6,961                               |
| Advances  | 293,524              | -                           | -                       | -                                   |
| Restricted:   |                      |                             |                         |                                     |
| Municipal court technology & security                   | 472,163              | -                           | -                       | -                                   |
| Record preservation fee                                 | 4,000                | -                           | -                       | -                                   |
| Parks and recreation development                        | -                    | -                           | -                       | 1,423,689                           |
| Crime control district                                  | -                    | -                           | -                       | -                                   |
| Debt service  | -                    | -                           | 1,779,353               | -                                   |
| Grants  | -                    | -                           | -                       | -                                   |
| Promotional & economic development                      | -                    | -                           | -                       | -                                   |
| Public safety   | -                    | -                           | -                       | -                                   |
| Capital projects (bond funded)                          | -                    | 51,499,838                  | -                       | 111,116                             |
| Committed:  |                      |                             |                         |                                     |
| Donations   | -                    | -                           | -                       | -                                   |
| Drainage utility  | -                    | -                           | -                       | -                                   |
| Gas development   | -                    | -                           | -                       | -                                   |
| Assigned:   |                      |                             |                         |                                     |
| Savings incentive program                               | 250,360              | -                           | -                       | -                                   |
| Retirement stabilization                                | 250,000              | -                           | -                       | -                                   |
| Utility billing assistance                              | 8,571                | -                           | -                       | -                                   |
| Rail station project                                    | 1,200,000            | -                           | -                       | -                                   |
| Municipal facilities                                    | 2,000,000            | -                           | -                       | -                                   |
| Recreation centre                                       | -                    | -                           | -                       | 872,690                             |
| Capital projects  | -                    | 9,459,024                   | -                       | -                                   |
| Encumbrances  | 102,080              | -                           | -                       | 309,554                             |
| Unassigned  | 9,070,595            | -                           | -                       | -                                   |
| Total fund balance (deficit)                            | <u>13,808,228</u>    | <u>60,961,030</u>           | <u>1,782,493</u>        | <u>2,743,519</u>                    |
| Total liabilities, deferred inflows<br>and fund balance | <u>\$ 18,792,121</u> | <u>\$ 66,531,848</u>        | <u>\$ 1,782,493</u>     | <u>\$ 3,827,108</u>                 |

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

| <u>Gas Development</u> | <u>Tax Increment<br/>Finance District #2</u> | <u>Other<br/>Governmental</u> | <u>Total Governmental</u> |
|------------------------|--|-------------------------------|---------------------------|
| -                      | -  | -                             | 96,673                    |
| -                      | -  | 18,510                        | 110,550                   |
| -                      | -  | -                             | 293,524                   |
| -                      | -  | -                             | 472,163                   |
| -                      | -  | -                             | 4,000                     |
| -                      | -  | -                             | 1,423,689                 |
| -                      | -  | 1,541,186                     | 1,541,186                 |
| -                      | -  | 2,336,351                     | 4,115,704                 |
| -                      | -  | 63,914                        | 63,914                    |
| -                      | -  | 1,296,515                     | 1,296,515                 |
| -                      | -  | 815,463                       | 815,463                   |
| -                      | 11,193,244                                   | 2,551,110                     | 65,355,308                |
| -                      | -  | 582,979                       | 582,979                   |
| -                      | -  | 1,501,626                     | 1,501,626                 |
| -                      | -  | -                             | -                         |
| -                      | -  | -                             | 250,360                   |
| -                      | -  | -                             | 250,000                   |
| -                      | -  | -                             | 8,571                     |
| -                      | -  | -                             | 1,200,000                 |
| -                      | -  | -                             | 2,000,000                 |
| -                      | -  | -                             | 872,690                   |
| -                      | -  | -                             | 9,459,024                 |
| -                      | -  | 33,570                        | 445,204                   |
| (1,014,502)            | -  | -                             | 8,056,093                 |
| <u>(1,014,502)</u>     | <u>11,193,244</u>                            | <u>10,741,224</u>             | <u>100,215,236</u>        |
| <u>\$ 2,211,954</u>    | <u>\$ 11,193,244</u>                         | <u>\$ 11,161,546</u>          | <u>\$ 115,500,314</u>     |



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**CITY OF NORTH RICHLAND HILLS, TEXAS**  
 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
**GOVERNMENTAL FUNDS**  
 September 30, 2014

|  |                              |
|--|------------------------------|
| Total fund balances--governmental funds  | \$ 100,215,236               |
| <p>Amounts reported for governmental activities in the statement of net position are different because:</p>  |                              |
| <p>Capital assets used in governmental activities resources (excluding internal service capital assets) are not financial resources and, therefore, are not reported as net position in governmental funds.</p>  | 260,234,629                  |
| <p>Certain receivables are not available to pay current-period expenditures and, therefore, are reported as unavailable revenue in the funds.</p>  | 1,538,357                    |
| <p>Certain litigation liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.</p>  | (1,465,000)                  |
| <p>Internal service funds are used by the City's management for building and vehicle support services, self insurance, and information services. The assets and liabilities of the internal service funds, net of amounts included in business type activities, are included with governmental activities in the Statement of Net Position but are not included at the fund level.</p> | 11,902,911                   |
| <p>Long-term liabilities and related deferred inflows and outflows, including bonds payable, loans payable, accrued interest payable, compensated absences, other post employment benefits, and net pension obligation, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.</p>  | <u>(132,084,078)</u>         |
| Total net position--governmental activities  | <u><u>\$ 240,342,055</u></u> |

The notes to the financial statements are an integral part of this statement. See note II A for additional information on reconciliation calculations.

CITY OF NORTH RICHLAND HILLS, TEXAS  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
Year Ended September 30, 2014

|  | General Fund         | General Capital<br>Projects | General Debt<br>Service | Parks and<br>Recreation<br>Development |
|--|----------------------|-----------------------------|-------------------------|--|
| <b>REVENUES</b>                                      |                      |                             |                         |  |
| Taxes  | \$ 28,064,303        | \$ -                        | \$ 7,074,213            | \$ 4,506,169                           |
| License and permits                                  | 1,632,278            | -                           | -                       | -                                      |
| Charges for services                                 | 2,962,952            | 4,230                       | -                       | 2,742,491                              |
| Gas utility leases and royalties                     | -                    | -                           | -                       | -                                      |
| Fines  | 1,990,953            | -                           | -                       | -                                      |
| Civil citations                                      | -                    | -                           | -                       | -                                      |
| Contributions  | 10,943               | -                           | -                       | 1,500                                  |
| Investment income (loss)                             | 82,641               | 194,401                     | 6,558                   | 18,127                                 |
| Intergovernmental                                    | 2,199,941            | 739,194                     | 82,853                  | 1,416,269                              |
| Forfeitures  | -                    | -                           | -                       | -                                      |
| Developer contributions                              | -                    | -                           | -                       | -                                      |
| Miscellaneous  | 158,581              | 10,596                      | 41                      | 219,637                                |
| Total revenues                                       | <u>37,102,592</u>    | <u>948,421</u>              | <u>7,163,665</u>        | <u>8,904,193</u>                       |
| <b>EXPENDITURES</b>                                  |                      |                             |                         |  |
| General government                                   | 9,760,542            | 300                         | -                       | -                                      |
| Public safety  | 23,590,071           | -                           | -                       | -                                      |
| Culture and recreation                               | 3,527,694            | -                           | -                       | 5,559,713                              |
| Public works   | 2,857,374            | 38                          | -                       | -                                      |
| Capital outlay:                                      |                      |                             |                         |  |
| General government                                   | 47,759               | 13,056,851                  | -                       | -                                      |
| Public safety  | -                    | -                           | -                       | -                                      |
| Culture and recreation                               | 3,500                | 20,147                      | -                       | 3,389,518                              |
| Public works   | -                    | 9,787,396                   | -                       | -                                      |
| Debt service:  |                      |                             |                         |  |
| Principal retirement                                 | -                    | -                           | 6,528,320               | -                                      |
| Interest and fiscal charges                          | -                    | -                           | 3,036,883               | -                                      |
| Total expenditures                                   | <u>39,786,940</u>    | <u>22,864,732</u>           | <u>9,565,203</u>        | <u>8,949,231</u>                       |
| Excess (deficiency) of revenues<br>over expenditures | <u>(2,684,348)</u>   | <u>(21,916,311)</u>         | <u>(2,401,538)</u>      | <u>(45,038)</u>                        |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                      |                             |                         |  |
| Issuance of debt                                     | -                    | 22,360,000                  | -                       | -                                      |
| Proceeds from refunding of debt                      | -                    | -                           | 3,936,985               | -                                      |
| Premium on issuance of debt                          | -                    | 310,000                     | -                       | -                                      |
| Payment to refunded bond escrow agent                | -                    | -                           | (3,936,985)             | -                                      |
| Proceeds from sale of assets                         | 8,464                | 5,161                       | -                       | 5,725                                  |
| Transfers in   | 4,129,506            | 10,150,084                  | 1,568,320               | 562,227                                |
| Transfers out  | (2,587,661)          | (974,136)                   | -                       | (855,071)                              |
| Total other financing sources (uses)                 | <u>1,550,309</u>     | <u>31,851,109</u>           | <u>1,568,320</u>        | <u>(287,119)</u>                       |
| Net change in fund balance (deficit)                 | <u>(1,134,039)</u>   | <u>9,934,798</u>            | <u>(833,218)</u>        | <u>(332,157)</u>                       |
| Fund balance - beginning of year                     | <u>14,942,267</u>    | <u>51,026,232</u>           | <u>2,615,711</u>        | <u>3,075,676</u>                       |
| Fund balance (deficit) - end of the year             | <u>\$ 13,808,228</u> | <u>\$ 60,961,030</u>        | <u>\$ 1,782,493</u>     | <u>\$ 2,743,519</u>                    |

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

| <u>Gas<br/>Development</u> | <u>Tax Increment<br/>Finance District #2</u> | <u>Other<br/>Governmental</u> | <u>Total<br/>Governmental</u> |
|----------------------------|--|-------------------------------|-------------------------------|
| \$ -                       | \$ -   | \$ 7,980,792                  | \$ 47,625,477                 |
| -                          | -  | -                             | 1,632,278                     |
| 110,423                    | -  | 861,333                       | 6,681,429                     |
| 1,187,340                  | -  | -                             | 1,187,340                     |
| -                          | -  | -                             | 1,990,953                     |
| -                          | -  | 990,714                       | 990,714                       |
| -                          | -  | 187,382                       | 199,825                       |
| 6,458                      | 29,286                                       | (17,849)                      | 319,622                       |
| -                          | -  | 633,909                       | 5,072,166                     |
| -                          | -  | 107,275                       | 107,275                       |
| 600,000                    | -  | -                             | 600,000                       |
| -                          | -  | 3                             | 388,858                       |
| <u>1,904,221</u>           | <u>29,286</u>                                | <u>10,743,559</u>             | <u>66,795,937</u>             |
| -                          | -  | 394,300                       | 10,155,142                    |
| -                          | -  | 5,432,743                     | 29,022,814                    |
| -                          | -  | 144,096                       | 9,231,503                     |
| -                          | -  | 67,104                        | 2,924,516                     |
| 4,087,347                  | -  | 16,000                        | 17,207,957                    |
| -                          | -  | 226,300                       | 226,300                       |
| -                          | -  | 12,869                        | 3,426,034                     |
| -                          | -  | 82,188                        | 9,869,584                     |
| -                          | -  | 2,050,640                     | 8,578,960                     |
| -                          | -  | 887,502                       | 3,924,385                     |
| <u>4,087,347</u>           | <u>-</u>                                     | <u>9,313,742</u>              | <u>94,567,195</u>             |
| <u>(2,183,126)</u>         | <u>29,286</u>                                | <u>1,429,817</u>              | <u>(27,771,258)</u>           |
| -                          | -  | 2,000,000                     | 24,360,000                    |
| -                          | -  | -                             | 3,936,985                     |
| -                          | -  | -                             | 310,000                       |
| -                          | -  | -                             | (3,936,985)                   |
| -                          | -  | 150                           | 19,500                        |
| -                          | -  | 187,285                       | 16,597,422                    |
| (4,026,390)                | -  | (4,899,818)                   | (13,343,076)                  |
| <u>(4,026,390)</u>         | <u>-</u>                                     | <u>(2,712,383)</u>            | <u>27,943,846</u>             |
| (6,209,516)                | 29,286                                       | (1,282,566)                   | 172,588                       |
| 5,195,014                  | 11,163,958                                   | 12,023,790                    | 100,042,648                   |
| <u>\$ (1,014,502)</u>      | <u>\$ 11,193,244</u>                         | <u>\$ 10,741,224</u>          | <u>\$ 100,215,236</u>         |



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**CITY OF NORTH RICHLAND HILLS, TEXAS**  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund  
 Balances of Governmental Funds to the Statement of Activities  
 Year Ended September 30, 2014

|   |                            |
|---|----------------------------|
| Net change in fund balances--total governmental funds   | \$ 172,588                 |
| Amounts reported for governmental activities in the statement of activities are different because:  |                            |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.  | 20,638,589                 |
| The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net position.   | 675,989                    |
| Certain deferred inflows of resources were earned in prior year but not yet available for fund level activity. This decrease is due to the deferred inflows becoming available in current year.   | (444,170)                  |
| Certain long-term liabilities are accrued at the government-wide level but not at the fund level. The current year change in those liabilities is reported as expense in the statement of activities. Expenses recorded for accrual of interest and amortization expense are included in this category.   | (1,746,553)                |
| Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the difference between repayments and proceeds received. | (16,026,975)               |
| Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet maintenance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities (exclusive of capital assets and debt).   | <u>781,736</u>             |
| Change in net position of governmental activities   | <u><u>\$ 4,051,204</u></u> |

The notes to the financial statements are an integral part of this statement. See note II B for additional information on reconciliation calculations.

CITY OF NORTH RICHLAND HILLS, TEXAS

Statement of Net Position

PROPRIETARY FUNDS

September 30, 2014

|  | Enterprise Funds  |                   |                  |                    | Governmental                     |
|--|-------------------|-------------------|------------------|--------------------|----------------------------------|
|  | Utility           | Aquatic Park      | Golf             | Total Enterprise   | Activities -<br>Internal Service |
| <b>ASSETS</b>                              |                   |                   |                  |                    |                                  |
| <b>Current</b>                             |                   |                   |                  |                    |                                  |
| Cash and cash equivalents                  | \$ 2,400,417      | \$ 997,100        | \$ 536,650       | \$ 3,934,167       | \$ 1,960,280                     |
| Investments                                | 10,129,661        | 1,722,210         | 173,595          | 12,025,466         | 8,999,018                        |
| Accounts receivable, net of allowance:     |                   |                   |                  |                    |                                  |
| Billed                                     | 1,850,806         | -                 | -                | 1,850,806          | -                                |
| Unbilled                                   | 2,619,469         | -                 | -                | 2,619,469          | -                                |
| Other                                      | 11,738            | 257,213           | 4,350            | 273,301            | 47,300                           |
| Interest receivable                        | 19,246            | 2,915             | 359              | 22,520             | 14,965                           |
| Intergovernmental receivable               | 479,891           | -                 | -                | 479,891            | -                                |
| Prepaid items                              | 19,119            | 2,367             | 17,897           | 39,383             | 385,149                          |
| Due from other funds                       | 34,208            | -                 | -                | 34,208             | -                                |
| Inventories, at cost                       | 298,159           | 21,206            | 65,439           | 384,804            | 126,443                          |
| Total current assets                       | <u>17,862,714</u> | <u>3,003,011</u>  | <u>798,290</u>   | <u>21,664,015</u>  | <u>11,533,155</u>                |
| <b>Noncurrent</b>                          |                   |                   |                  |                    |                                  |
| <b>Restricted assets</b>                   |                   |                   |                  |                    |                                  |
| Cash and cash equivalents                  | 9,227,482         | -                 | 173,815          | 9,401,297          | 2,591,838                        |
| Investments                                | 1,809,560         | -                 | -                | 1,809,560          | -                                |
| Total restricted cash and cash equivalents | <u>11,037,042</u> | <u>-</u>          | <u>173,815</u>   | <u>11,210,857</u>  | <u>2,591,838</u>                 |
| Advances to other funds                    | 3,396,102         | -                 | -                | 3,396,102          | -                                |
| <b>Capital assets, at cost</b>             |                   |                   |                  |                    |                                  |
| Land                                       | 75,366            | 745,771           | 1,758,000        | 2,579,137          | -                                |
| Building and improvements                  | 1,136,327         | 2,465,964         | 802,762          | 4,405,053          | 135,455                          |
| Other improvements                         | -                 | 19,258,511        | 5,290,587        | 24,549,098         | 1,020,082                        |
| Utility plant in service                   | 102,651,465       | -                 | -                | 102,651,465        | -                                |
| Machinery and equipment                    | 1,970,412         | 808,109           | 1,594,414        | 4,372,935          | 9,089,720                        |
| Construction in progress                   | 1,721,307         | -                 | -                | 1,721,307          | -                                |
| Accumulated depreciation                   | (54,086,647)      | (9,713,175)       | (5,500,758)      | (69,300,580)       | (6,130,946)                      |
| Net capital assets                         | <u>53,468,230</u> | <u>13,565,180</u> | <u>3,945,005</u> | <u>70,978,415</u>  | <u>4,114,311</u>                 |
| Total noncurrent assets                    | <u>67,901,374</u> | <u>13,565,180</u> | <u>4,118,820</u> | <u>85,585,374</u>  | <u>6,706,149</u>                 |
| Total assets                               | <u>85,764,088</u> | <u>16,568,191</u> | <u>4,917,110</u> | <u>107,249,389</u> | <u>18,239,304</u>                |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>      |                   |                   |                  |                    |                                  |
| Deferred loss on refunding                 | 6,459             | 10,196            | 5,790            | 22,445             | -                                |
| Total deferred outflows of resources       | <u>6,459</u>      | <u>10,196</u>     | <u>5,790</u>     | <u>22,445</u>      | <u>-</u>                         |
| <b>LIABILITIES</b>                         |                   |                   |                  |                    |                                  |
| <b>Current</b>                             |                   |                   |                  |                    |                                  |
| Accounts payable and accrued expenses      | 2,436,906         | 111,580           | 178,372          | 2,726,858          | 1,259,368                        |
| Retainage payable                          | 50,167            | -                 | -                | 50,167             | -                                |
| Other current liabilities                  | 87,262            | 4,409             | 17,323           | 108,994            | 17,686                           |
| Compensated absences                       | 27,031            | 6,629             | -                | 33,660             | 17,364                           |
| Unearned revenue                           | -                 | 9,506             | 71,400           | 80,906             | -                                |
| Due to other funds                         | -                 | -                 | 181,968          | 181,968            | -                                |
| Accrued interest payable                   | 35,836            | 28,331            | 8,218            | 72,385             | -                                |
| Bonds payable                              | 785,000           | 560,624           | 95,000           | 1,440,624          | -                                |
| Capital lease payable                      | -                 | -                 | 75,265           | 75,265             | -                                |
| Total current liabilities                  | <u>3,422,202</u>  | <u>721,079</u>    | <u>627,546</u>   | <u>4,770,827</u>   | <u>1,294,418</u>                 |

CITY OF NORTH RICHLAND HILLS, TEXAS

Statement of Net Position

PROPRIETARY FUNDS

September 30, 2014

|   | Enterprise Funds     |                      |                     |                      | Governmental                     |
|---|----------------------|----------------------|---------------------|----------------------|----------------------------------|
|   | Utility              | Aquatic Park         | Golf                | Total Enterprise     | Activities -<br>Internal Service |
| Noncurrent                                |                      |                      |                     |                      |                                  |
| Customer deposits                         | 2,453,773            | -                    | -                   | 2,453,773            | -                                |
| Bonds payable                             | 9,704,346            | 5,244,520            | 705,415             | 15,654,281           | -                                |
| Capital lease payable                     | -                    | -                    | 169,268             | 169,268              | -                                |
| Compensated absences                      | 328,154              | 65,550               | -                   | 393,704              | 232,745                          |
| Intergovernmental payables                | 922,189              | -                    | -                   | 922,189              | -                                |
| Advances from other funds                 | -                    | -                    | 463,387             | 463,387              | -                                |
| Other post employment benefits obligation | 953,811              | 152,408              | -                   | 1,106,219            | 740,779                          |
| Net pension obligation                    | 402,917              | 67,201               | -                   | 470,118              | 318,230                          |
| Total noncurrent liabilities              | <u>14,765,190</u>    | <u>5,529,679</u>     | <u>1,338,070</u>    | <u>21,632,939</u>    | <u>1,291,754</u>                 |
| Total liabilities                         | <u>18,187,392</u>    | <u>6,250,758</u>     | <u>1,965,616</u>    | <u>26,403,766</u>    | <u>2,586,172</u>                 |
| DEFERRED INFLOWS OF RESOURCES             |                      |                      |                     |                      |                                  |
| Deferred gain on refunding                | -                    | 39,828               | -                   | 39,828               | -                                |
| Total deferred inflows of resources       | <u>-</u>             | <u>39,828</u>        | <u>-</u>            | <u>39,828</u>        | <u>-</u>                         |
| NET POSITION                              |                      |                      |                     |                      |                                  |
| Net investment in capital assets          | 47,650,233           | 7,731,706            | 2,994,026           | 58,375,965           | 4,122,155                        |
| Impact fees restricted for construction   | 3,788,127            | -                    | -                   | 3,788,127            | -                                |
| Unrestricted (deficit)                    | 16,144,795           | 2,556,095            | (36,742)            | 18,664,148           | 11,530,977                       |
| Total net position                        | <u>\$ 67,583,155</u> | <u>\$ 10,287,801</u> | <u>\$ 2,957,284</u> | <u>\$ 80,828,240</u> | <u>\$ 15,653,132</u>             |

Reconciliation to business-type activities:

Some amounts reported for business-type activities in the Statement of Net Position are different because certain internal balances are included with business-type activities

Net Position of business-type activities

3,750,221  
\$ 84,578,461

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

CITY OF NORTH RICHLAND HILLS, TEXAS  
Statement of Revenues, Expenses, and Changes in Net Position  
PROPRIETARY FUNDS  
Year Ended September 30, 2014

|   | Enterprise Funds     |                      |                     |                       | Governmental                     |
|---|----------------------|----------------------|---------------------|-----------------------|----------------------------------|
|   | Utility              | Aquatic Park         | Golf                | Total Enterprise      | Activities -<br>Internal Service |
| <b>OPERATING REVENUES</b>   |                      |                      |                     |                       |                                  |
| Charges for services:   |                      |                      |                     |                       |                                  |
| Water and sewer service   | \$ 29,465,628        | \$ -                 | \$ -                | \$ 29,465,628         | \$ -                             |
| Service charges   | 918,662              | -                    | -                   | 918,662               | -                                |
| Inspection fees   | 87,990               | -                    | -                   | 87,990                | -                                |
| Golf course fees and charges  | -                    | -                    | 2,313,776           | 2,313,776             | -                                |
| Aquatic park admissions and services  | -                    | 3,998,643            | -                   | 3,998,643             | -                                |
| Other intergovernmental   | 84,842               | -                    | -                   | 84,842                | 14,902                           |
| Risk management   | -                    | -                    | -                   | -                     | 9,599,854                        |
| Facilities and fleet management   | -                    | -                    | -                   | -                     | 5,799,351                        |
| Information systems management  | -                    | -                    | -                   | -                     | 2,587,486                        |
| Miscellaneous revenues  | 10,898               | 21,327               | 738                 | 32,963                | 390,301                          |
| Total operating revenues  | <u>30,568,020</u>    | <u>4,019,970</u>     | <u>2,314,514</u>    | <u>36,902,504</u>     | <u>18,391,894</u>                |
| <b>OPERATING EXPENSES</b>   |                      |                      |                     |                       |                                  |
| Claims  | -                    | -                    | -                   | -                     | 9,103,083                        |
| Contractual services  | 1,650,172            | 970,233              | -                   | 2,620,405             | 1,792,638                        |
| Water purchases   | 8,252,196            | -                    | -                   | 8,252,196             | -                                |
| Wastewater treatment services   | 5,018,420            | -                    | -                   | 5,018,420             | -                                |
| Personnel services  | 5,310,489            | 1,613,086            | -                   | 6,923,575             | 3,732,366                        |
| Golf course sales and service   | -                    | -                    | 1,968,587           | 1,968,587             | -                                |
| Repairs and maintenance   | 3,798,958            | 405,342              | -                   | 4,204,300             | 1,619,354                        |
| Supplies  | 317,599              | 556,313              | -                   | 873,912               | 1,454,568                        |
| Depreciation  | 3,255,947            | 775,037              | 433,484             | 4,464,468             | 888,844                          |
| Total operating expenses  | <u>27,603,781</u>    | <u>4,320,011</u>     | <u>2,402,071</u>    | <u>34,325,863</u>     | <u>18,590,853</u>                |
| Operating income (loss)   | <u>2,964,239</u>     | <u>(300,041)</u>     | <u>(87,557)</u>     | <u>2,576,641</u>      | <u>(198,959)</u>                 |
| <b>NONOPERATING REVENUES (EXPENSES)</b>   |                      |                      |                     |                       |                                  |
| Investment income (loss)  | 42,465               | 3,403                | (25,861)            | 20,007                | 30,302                           |
| Interest and fiscal charges   | (327,135)            | (221,955)            | (30,933)            | (580,023)             | -                                |
| Other income (expense)  | 286,308              | -                    | 14,248              | 300,556               | -                                |
| Gain (loss) on disposal of assets   | (135,470)            | (1,000)              | -                   | (136,470)             | 42,578                           |
| Total nonoperating revenues (expenses)  | <u>(133,832)</u>     | <u>(219,552)</u>     | <u>(42,546)</u>     | <u>(395,930)</u>      | <u>72,880</u>                    |
| Income (loss) before transfers  | <u>2,830,407</u>     | <u>(519,593)</u>     | <u>(130,103)</u>    | <u>2,180,711</u>      | <u>(126,079)</u>                 |
| <b>TRANSFERS</b>  |                      |                      |                     |                       |                                  |
| Transfers in  | -                    | -                    | -                   | -                     | 1,207,811                        |
| Transfers out   | (3,824,547)          | (219,067)            | -                   | (4,043,614)           | (418,543)                        |
| Total transfers - net   | <u>(3,824,547)</u>   | <u>(219,067)</u>     | <u>-</u>            | <u>(4,043,614)</u>    | <u>789,268</u>                   |
| Change in net position  | (994,140)            | (738,660)            | (130,103)           | (1,862,903)           | 663,189                          |
| Net position - beginning of year  | 68,577,295           | 11,026,461           | 3,087,387           | 82,691,143            | 14,989,943                       |
| Net position - end of year  | <u>\$ 67,583,155</u> | <u>\$ 10,287,801</u> | <u>\$ 2,957,284</u> | <u>\$ 80,828,240</u>  | <u>\$ 15,653,132</u>             |
| Reconciliation of Change in Net Position - Business-type Activities:  |                      |                      |                     |                       |                                  |
| Change in net position of enterprise funds  |                      |                      |                     | (1,862,903)           |                                  |
| Some amounts reported for business-type activities in the Statement of Activities are different because the net revenue of certain internal revenue service funds is reported with business-type activities |                      |                      |                     | (118,547)             |                                  |
| Change in net position of business-type activities  |                      |                      |                     | <u>\$ (1,981,450)</u> |                                  |

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

## CITY OF NORTH RICHLAND HILLS, TEXAS

## Statement of Cash Flows

## PROPRIETARY FUNDS

Year Ended September 30, 2014

|  | Enterprise Funds     |                   |                   |                      | Governmental<br>Activities -<br>Internal<br>Service |
|--|----------------------|-------------------|-------------------|----------------------|---|
|  | Utility              | Aquatic Park      | Golf              | Totals               |   |
| Cash flows from operating activities:  |                      |                   |                   |                      |   |
| Receipts from customers  | \$ 30,586,800        | \$ 3,945,954      | \$ 2,309,441      | \$ 36,842,195        | \$ -  |
| Receipts from interfund services provided  | -                    | -                 | -                 | -                    | 17,986,691  |
| Other operating revenue (expense)  | 25,724               | 23,820            | 4,298             | 53,842               | 372,387   |
| Payments to suppliers  | (21,639,870)         | (1,953,562)       | (1,977,839)       | (25,571,271)         | (14,207,872)  |
| Payments to employees  | (5,128,157)          | (1,596,942)       | -                 | (6,725,099)          | (3,545,396)   |
| Net cash provided by operating activities  | <u>3,844,497</u>     | <u>419,270</u>    | <u>335,900</u>    | <u>4,599,667</u>     | <u>605,810</u>                                      |
| Cash flows from noncapital financing activities:   |                      |                   |                   |                      |   |
| Transfers from other funds   | -                    | -                 | -                 | -                    | 1,207,811   |
| Transfers to other funds   | (3,824,547)          | (219,067)         | -                 | (4,043,614)          | (418,543)   |
| Advances to other funds  | (3,226,239)          | -                 | (147,760)         | (3,373,999)          | -   |
| Net cash provided by (used for) noncapital and related financing activities                    | <u>(7,050,786)</u>   | <u>(219,067)</u>  | <u>(147,760)</u>  | <u>(7,417,613)</u>   | <u>789,268</u>                                      |
| Cash flows from capital and related financing activities:                                      |                      |                   |                   |                      |   |
| Insurance recovery proceeds  | 286,308              | -                 | 14,248            | 300,556              | -   |
| Proceeds from capital debt   | 1,515,000            | -                 | 180,000           | 1,695,000            | -   |
| Acquisition and construction of capital assets   | (1,576,745)          | (5,390)           | (25,493)          | (1,607,628)          | (1,679,895)   |
| Principal paid on capital debt   | (867,486)            | (633,735)         | (343,237)         | (1,844,458)          | -   |
| Interest paid on capital debt  | (332,727)            | (239,309)         | (29,860)          | (601,896)            | -   |
| Proceeds from sale of capital assets   | -                    | -                 | -                 | -                    | 42,578  |
| Net cash used for capital and related financing activities                                     | <u>(975,650)</u>     | <u>(878,434)</u>  | <u>(204,342)</u>  | <u>(2,058,426)</u>   | <u>(1,637,317)</u>                                  |
| Cash flows from investing activities:  |                      |                   |                   |                      |   |
| Purchase of investments  | (8,006,972)          | (1,154,736)       | (116,276)         | (9,277,984)          | (6,059,225)   |
| Proceeds from the sale of investments  | 8,401,445            | 2,086,756         | 664,455           | 11,152,656           | 7,387,801   |
| Interest and dividends received  | 52,357               | 5,457             | 5,575             | 63,389               | 53,288  |
| Net cash provided by investing activities  | <u>446,830</u>       | <u>937,477</u>    | <u>553,754</u>    | <u>1,938,061</u>     | <u>1,381,864</u>                                    |
| Net increase (decrease) in cash and cash equivalents   | (3,735,109)          | 259,246           | 537,552           | (2,938,311)          | 1,139,625   |
| Cash and cash equivalents beginning of year  | 15,363,008           | 737,854           | 172,913           | 16,273,775           | 3,412,493   |
| Cash and cash equivalents end of year  | <u>\$ 11,627,899</u> | <u>\$ 997,100</u> | <u>\$ 710,465</u> | <u>\$ 13,335,464</u> | <u>\$ 4,552,118</u>                                 |
| Reconciliation of operating income (loss) to net cash provided by operating activities:        |                      |                   |                   |                      |   |
| Operating income (loss)  | \$ 2,964,239         | \$ (300,041)      | \$ (87,557)       | \$ 2,576,641         | \$ (198,959)  |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: |                      |                   |                   |                      |   |
| Depreciation expense   | 3,255,947            | 775,037           | 433,484           | 4,464,468            | 888,844   |
| Other expense  | -                    | -                 | -                 | -                    | (13,320)  |
| (Increase) decrease in accounts receivable   | 114,520              | (52,689)          | (4,335)           | 57,496               | (30,502)  |
| (Increase) decrease in intergovernmental receivables   | (359,163)            | -                 | -                 | (359,163)            | -   |
| (Increase) decrease in inventories   | (127,836)            | (4,110)           | (23,166)          | (155,112)            | (12,843)  |
| (Increase) decrease in prepaid items   | 1,341                | 6,657             | 604               | 8,602                | 41,583  |
| Increase (decrease) in accounts payable  | (2,394,001)          | (28,630)          | 13,310            | (2,409,321)          | (253,649)   |
| Increase (decrease) in customer deposits payable   | 142,307              | -                 | -                 | 142,307              | -   |
| Increase (decrease) in compensating absences   | (33,960)             | (14,849)          | -                 | (48,809)             | 5,432   |
| Increase (decrease) in other post employment benefits  | 210,456              | 30,157            | -                 | 240,613              | 161,050   |
| Increase (decrease) in intergovernmental payable   | 146,840              | -                 | -                 | 146,840              | -   |
| Increase (decrease) in other liabilities   | (82,029)             | 4,409             | -                 | (77,620)             | -   |
| Increase (decrease) in net pension obligation  | 5,836                | 836               | -                 | 6,672                | 4,465   |
| Increase (decrease) in unearned revenues   | -                    | 2,493             | 3,560             | 6,053                | (2,314)   |
| Increase (decrease) in accrued liabilities   | -                    | -                 | -                 | -                    | 16,023  |
| Total adjustments  | <u>880,258</u>       | <u>719,311</u>    | <u>423,457</u>    | <u>2,023,026</u>     | <u>804,769</u>                                      |
| Net cash provided by operating activities  | <u>\$ 3,844,497</u>  | <u>\$ 419,270</u> | <u>\$ 335,900</u> | <u>\$ 4,599,667</u>  | <u>\$ 605,810</u>                                   |
| Noncash from capital and related financing activities:   |                      |                   |                   |                      |   |
| Capitalized interest   | 3,399                | -                 | -                 | 3,399                | -   |
| Loss on disposal of assets   | (135,470)            | (1,000)           | -                 | (136,470)            | (521,160)   |

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

CITY OF NORTH RICHLAND HILLS, TEXAS

Statement of Net Position

FIDUCIARY FUNDS

September 30, 2014

|  | <u>OPEB Trust</u>   |
|--|---------------------|
| ASSETS   |                     |
| Investments, at fair value                       |                     |
| Mutual funds                                     | \$ 1,229,763        |
| Total assets                                     | <u>1,229,763</u>    |
| NET POSITION                                     |                     |
| Held in trust for other post employment benefits | 1,229,763           |
| Total net position                               | <u>\$ 1,229,763</u> |

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

CITY OF NORTH RICHLAND HILLS, TEXAS  
Statement of Revenues, Expenses, and  
Changes in Net Position  
FIDUCIARY FUNDS  
For the Year Ended September 30, 2014

|                          | OPEB Trust   |
|--------------------------|--------------|
| <b>ADDITIONS</b>         |              |
| Contributions:           |              |
| Employer                 | \$ 1,208,890 |
| Investment earnings      | 78,232       |
| Total additions          | 1,287,122    |
| <b>DEDUCTIONS</b>        |              |
| Benefit payments         | 1,108,890    |
| Investment expense       | 6,538        |
| Total deductions         | 1,115,428    |
| Change in net position   | 171,694      |
| Net position - beginning | 1,058,069    |
| Net position - ending    | \$ 1,229,763 |

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



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**CITY OF NORTH RICHLAND HILLS, TEXAS**

Notes to Basic Financial Statements

September 30, 2014

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**CITY OF NORTH RICHLAND HILLS**  
Notes to Basic Financial Statements  
September 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of North Richland Hills, Texas (the "City") Home Rule Charter was adopted by the voters at an election held on November 3, 1964. The City operates under a Council-Manager form of government. The City provides a full range of services including police and fire protection; municipal court operations; the construction and maintenance of streets and infrastructure; parks, library, and recreational activities including tennis center operations; neighborhood services activities; planning and inspections; and the operations of a water and wastewater system, a golf course, and a public water park. A private contractor, through a franchise agreement, provides solid waste collection and disposal services for the City.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

A. Reporting Entity

As required by GAAP, these basic financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. The blended component units, although legally separate entities, are, in substance, part of the primary government's operations. As such, data from these units is combined with data of the primary government. Discretely presented component units are entities that are legally separate from the City, but for which the City is financially accountable or whose relationships with the City are such that exclusion would be misleading or incomplete.

*Blended Component Units* - The North Richland Hills Parks and Recreation Facilities Development Corporation ("PRD") is used to account for the accumulation of resources to build and improve City parks and recreational facilities and fund economic development activities. The North Richland Hills Crime Control and Prevention District ("CCD") is used to account for the accumulation and use of half-cent sales tax proceeds dedicated for crime reduction programs. The PRD and CCD are reported as special revenue funds of the primary government. The Boards of Directors of both component units are substantially the same as the City Council.

Tax Increment Financing District No. 1 ("TIF #1") was created to fund drainage improvements that would alleviate flooding problems, reduce property damage associated with the flooding, and stimulate development within the zone of TIF #1. In 2008, TIF #1 was expanded to provide funding for intersection improvements and the burial of utility lines to enhance economic revitalization in the area. Tax Increment Financing District #2 ("TIF #2") was created to provide funding for public improvements that would benefit the participants in and citizens of TIF #2. These TIF's meet the criteria for blending as the City Council and TIF Boards are substantially the same. In addition, although other entities are involved in the TIF, the primary financial benefit or burden relationship is between the City and the TIF's, and management of the City has day-to-day operational responsibility for the activities of the TIF.

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 non-fiduciary activities of the primary government and its blended component units. For the most part, the effect of interfund activity has been eliminated from these statements. However, interfund services provided and used are not eliminated in the consolidation process. 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 user fees and charges for support.

**CITY OF NORTH RICHLAND HILLS**  
Notes to Basic Financial Statements  
September 30, 2014

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and grants and contributions that are designated 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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement 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 and fiduciary 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 *financial resources measurement focus and the modified accrual basis of accounting*. Revenues are recognized as soon as they are both 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. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources traditionally associated with governments which are not required to be accounted for in another fund. Major functions financed by the General Fund include general government, public safety, culture and recreation, and public works. Financing is provided from taxes (primarily property, sales, and franchise), licenses and permits, fines, and investment income.

The General Capital Projects Fund is used to account for financial resources used for the acquisition and construction of major street, drainage, and municipal facilities capital assets.

The General Debt Service Fund accounts for the accumulation of resources for the payment of principal, interest, and related charges on long-term general obligation debt of governmental funds. Financing is provided primarily by a specific annual property tax levy.

The Parks and Recreation Facilities Development Fund accounts for the accumulation and use of resources to build and improve City parks and recreation facilities as well as economic development projects.

**CITY OF NORTH RICHLAND HILLS**  
Notes to Basic Financial Statements  
September 30, 2014

The Gas Development Fund accounts for the accumulation and expenditures of resources from gas drilling and exploration on City owned property.

The Tax Increment Financing District #2 provides funding for public improvements that would benefit the participants in and citizens of TIF #2 as well as others in the Metroplex area.

The City reports the following proprietary funds:

The Utility Fund (a major fund) accounts for the distribution of water, transportation of wastewater, and solid waste removal services provided to the residents of the City. All activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, financing and debt service, and billing and collections.

The Aquatic Park Fund (a major fund) accounts for the operation of NRH<sub>2</sub>O, the City's public water park. All activities necessary to operate the park are accounted for in the fund, including, but not limited to, administration, park operations, park maintenance, and financing and debt service.

The Golf Course Fund accounts for the operations of Iron Horse Golf Course, the City's public golf course. All activities necessary to operate the course are accounted for in the fund, including, but not limited to, administration, operations, course maintenance, and financing and debt service.

Internal Service Funds account for building maintenance services, fleet management, computer and telephone service, as well as insurance coverage provided to other departments of the City, on a cost reimbursement basis.

The City also reports one fiduciary fund. The OPEB Trust Fund accounts for the activities of the long term funding of the City's other post employment benefits provided. These funds are contributed by the City on an annual basis to help offset future costs and outflows for post employment benefits payments.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and of the internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

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

**D. Assets, Liabilities, and Net Position or Fund Balance**

Deposits and investments

Deposits consist of cash and cash equivalents. Substantially all operating deposits and investments are maintained in pooled deposits and investment accounts. Interest income relating to pooled deposits and investments is allocated monthly to the participating individual funds based on each fund's pro-rata share of total pooled deposits and investments.

## CITY OF NORTH RICHLAND HILLS

### Notes to Basic Financial Statements

September 30, 2014

Investments consist of (1) investments in public fund investment pools, (2) short-term investments that mature in 12 months or less from the time of purchase and (3) investments that mature in greater than 12 months from the time of purchase.

Other than investment pools, most of the City's investments are long-term (i.e., at the time of purchase, the maturity equals or exceeds one year) and, accordingly, the investments are carried at fair value in accordance with GASB Statement No. 31, *"Accounting and Financial Reporting for Certain Investments and for External Investment Pools."*

Legal provisions generally permit the City to invest in certificates of deposit, repurchase agreements, public funds investment pools, direct obligations of the United States of America or its subdivisions, and state and local government securities. During the year ended September 30, 2014, the City did not own any types of securities other than those permitted by statute.

For the purposes of presenting the statement of cash flows for Proprietary Funds, cash and cash equivalents are defined as cash and the funds' investment in the City's pooled accounts which provide cash-equivalent liquidity (Note III).

#### Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles.

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real property and certain personal property located in the City. Tax liens attach as of February 1. Taxes are due upon receipt of the tax bill.

Property taxes are limited by the Texas Constitution to \$2.50 per \$100 of assessed valuation and by City Charter to \$1.50 per \$100 assessed valuation. The combined tax rate to finance general governmental service and debt service for the year ended September 30, 2014 was \$.61 per \$100 of assessed valuation.

#### Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out ("FIFO") method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories are offset by a fund balance reserve account in applicable governmental funds to indicate the inventory values are not available for appropriation and are not expendable financial resources.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### Restricted assets

Certain resources set aside for the repayment of outstanding City debt are classified as restricted assets on the balance sheet because their use is limited. The "debt service reserve funds" are used to segregate resources accumulated for outstanding debt. The "construction funds" account includes, but

**CITY OF NORTH RICHLAND HILLS**  
Notes to Basic Financial Statements  
September 30, 2014

is not limited to, unspent bond proceeds that are limited as to use for financing the acquisition or construction of capital assets.

In the Utility Fund, impact fees are a restriction imposed by the City's governing body for the purpose of collection of funds from developers for specific utility infrastructure improvement projects. State of Texas Statutes grants this authority to the City Council which upon their approval is valid for a five year period. Every five years, the impact fee plan expires and a new program must be developed and submitted to Council for approval.

Also designated in the Utility Fund are customer deposits. This restriction is contractually supported. The City is not allowed to use the funds unless it is to refund back to the customer for good standing account history or that they default upon the terms of the agreement.

Assets have also been restricted by management for the following:

The Crime Control and Prevention District (Special Revenue) Fund contains assets restricted for transition. The "transition" term is used to identify funds that management and City Council has designated to offset future unforeseen circumstances (i.e. dissolution of the fund due to citizens vote to end operations of the district). If indeed the half-cent sales tax funding CCD activities is discontinued, the restricted assets will be used to fund those activities until an alternate funding source can be identified (i.e., during the transition period).

The Information Services (Internal Service) Fund contains assets used for future system improvements. The intended purpose is to fund major computer system software and hardware system replacements and upgrades.

The Facilities and Construction Services and Fleet Services (Internal Service) Funds contain assets used for building and equipment maintenance and replacement. The building reserve is used to accumulate funds for the implementation of the multi-year plan. Equipment reserve is used to accumulate funds for the replacement of vehicles and heavy equipment.

The Self-Insurance (Internal Service) Fund contains assets used for future insurance claims. Funds will be accumulated until needed to cover these costs of excessive claims or until management has determined sufficient funds have been accumulated to cover future claims.

Future claims of the Self-Insurance Internal Service Fund are funds set and obligated for medical, dental, prescription, or other risk payables that could arise in future fiscal periods. This fund has a very proactive approach to plan for future claims and ensure that funding is available to pay when and if the need occurs.

Capital assets

Capital assets, including property, plant, equipment, and infrastructure assets (e.g., roads, bridges, drainage facilities, parks and related improvements, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund level financial statements. Capital assets are defined by the City as assets with an initial, individual cost of at least \$5,000 and an estimated useful life in excess of one year. Assets purchased or constructed are recorded at historical cost when available or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs 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 for capital assets and improvements are capitalized as projects are constructed.

**CITY OF NORTH RICHLAND HILLS**

Notes to Basic Financial Statements

September 30, 2014

Capital assets of the primary government are capitalized at the following thresholds and are depreciated using the straight-line method over the following estimated useful lives:

| Asset Category  | Useful Life | Capitalization<br>Threshold |
|---|-------------|-----------------------------|
| Land  |             | \$ 100,000                  |
| Buildings and improvements  | 30 years    | 100,000                     |
| Other improvements  | 30 years    | 100,000                     |
| Water, sewer system and other infrastructure                                | 33 years    | 100,000                     |
| Start-up costs, furniture and fixtures, and certain machinery and equipment | 10 years    | 5,000                       |
| Firetrucks and ambulances   | 20 years    | 25,000                      |
| Other machinery and equipment including vehicles*                           | 3-6 years   | 5,000-25,000                |

*\*Range is due to different machinery and equipment having different levels of capitalization thresholds within fiscal policy*

Compensated absences

City employees are granted vacation leave in varying amounts depending on length of service. Sick leave is also granted to employees after six months of service. In the event of termination after one or more years of service, an employee is paid for all accumulated unused vacation. No reimbursement is made for unused accumulated sick leave upon termination of employment, except upon retirement. Upon retirement, an employee may convert up to six weeks of accrued sick leave to vacation. Sick pay is recorded when taken. All vacation pay is accrued as vested and included in accrued liabilities in the government-wide and proprietary fund financial statements. Accrued vacation pay, including converted sick leave, that is expected to be liquidated within one year, is reported as a short-term liability. The remainder of the liability is reflected as long-term.

Historically the General Fund has liquidated the majority of compensating absences liability.

Long-term obligations

In the government-wide financial statements and proprietary funds 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 statement of net position. Bond premiums and discounts, and losses on bond refundings are deferred and amortized over the life of the related debt using the straight-line method which approximates the interest method.

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

Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category, the deferred loss on refunding, reported in the government-wide and proprietary fund statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The government only has one item that qualifies for reporting in this category, the deferred gain on refunding, reported in the government-wide and proprietary fund statement of net position. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In governmental fund level, deferred inflows of resources represents certain resources received for property taxes, grants, and assessments that are available but still unearned.

Fund balance

Fund balances are reported within one of the fund balance categories list below.

1. *Nonspendable*, such as fund balances associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),
2. *Restricted* fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation,
3. *Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's Council (the city's highest level of authority),
4. *Assigned* fund balance classification are intended to be identified and authorized for specific purposes by the City's authorized representative by the Council (City Manager) and for other purposes that cannot be classified as restricted or committed,
5. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

*Committed Fund Balance Policy*

Fund balances are committed by the City Council under specific resolutions or ordinances which were adopted to restrict the utilization of special revenue sources. The resolutions or ordinances adopted by Council can only be amended or rescinded by an equivalent Council action via resolution or ordinance.

Fund balance reporting as a result of resolutions and ordinances passed by City Council:

- General Donations or contributions to the City that do not have specific goals designated by the donor are committed by council resolution to keep the original general intent for which they were received.
- Drainage Utility Fees are to be utilized for the infrastructure or debt service for such infrastructure.

*Assigned Fund Balance Policy*

The City's Assigned Fund Balance is under the direction of the City Manager, (as authorized by the City Council).

- Savings incentive program represent funds assigned to encourage departments to implement cost savings measures whereby any savings would be accumulated for use at a later date,
- Retirement stabilization are funds for anticipated future increases in TMRS funding requirements,
- Rail Station Project is intended to support future infrastructure for alternative transportation methods for citizens,
- Utility Billing Assistance is from a TXU Settlement to be used to help water and sewer customers who are able to prove need of assistance in paying their utility bill,

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- Municipal facilities are funds for anticipated future construction or debt service needs of the 2012 Bond election building construction project,
- Capital projects are proceeds assigned by management through budget appropriations to fund special capital projects not funded through bond proceeds,
- Recreation Centre assignment is net operations for the program for future infrastructure maintenance and operational needs,
- Encumbrances are purchases procured in the current fiscal year, but will not be delivered or services accomplished until the next fiscal year. This assignment of prior year encumbrances insures resources are available to complete the purchases.

*Fund Balance Flow Assumptions*

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance depleted before using any of the components of unrestricted fund balance. Further when the components of unrestricted fund balance can be used for the same purposes, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

*Minimum Fund Balance*

At the end of each fiscal year, the General Fund should maintain a minimum unassigned fund balance that is no less than 15% of the subsequent year's General Fund Appropriated Expenditure budget. This target amount has been established in order to provide a reasonable level of assurance that the City's day-to-day operations will be able to continue even if circumstances occur where revenues are insufficient to cover expenditures.

II. RECONCILIATION OF GOVERNMENT-WIDE AND GOVERNMENTAL FUND FINANCIAL STATEMENTS

- A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position.

One element of that reconciliation explains that “capital assets used in governmental activities (excluding internal service capital assets) are not financial resources and, therefore, are not reported as assets in governmental funds.” The details of the \$260,234,629 difference are as follows:

|   |                       |
|---|-----------------------|
| Capital assets, net of depreciation (internal service funds excluded)   | \$ 226,471,229        |
| Construction in progress (internal service funds excluded)  | 33,763,400            |
| Net adjustment to increase fund balance - total governmental funds<br>to arrive at net position - governmental activities | <u>\$ 260,234,629</u> |

The second element of that reconciliation explains that “certain litigation liabilities are not due and payable in the current period” are included with governmental activities in the Statement of Net Position but are not included at the fund level.” The details of the (\$1,465,000) difference are as follows:

|   |                       |
|---|-----------------------|
| Litigation payable  | \$ (1,465,000)        |
| Net adjustment to increase fund balance - total governmental funds<br>to arrive at net position - governmental activities | <u>\$ (1,465,000)</u> |

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Another element of that reconciliation explains that “certain receivables are not available to pay current-period expenditures and, therefore, are deferred in the funds.” The details of the \$1,538,357 difference are as follows:

|  |    |                  |
|--|----|------------------|
| Interest earned but not available within 60 days for Governmental Activities   | \$ | 44,598           |
| Unavailable revenue  |    | <u>1,493,759</u> |
| Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities | \$ | <u>1,538,357</u> |

The fourth element of that reconciliation explains that “the assets and liabilities of the internal service funds are included with governmental activities in the Statement of Net Position but are not included at the fund level.” The details of the \$11,902,911 difference are as follows:

|  |    |                    |
|--|----|--------------------|
| Net position, internal service funds combined  | \$ | 15,653,132         |
| Amount allocated to business-type activities   |    | <u>(3,750,221)</u> |
| Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities | \$ | <u>11,902,911</u>  |

The last element of that reconciliation explains that “long-term liabilities (excluding internal service funds), including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of the \$(132,084,078) difference are as follows:

|  |    |                      |
|--|----|----------------------|
| Bonds payable - short-term   | \$ | (9,839,376)          |
| Bonds payable - long-term  |    | (107,827,443)        |
| Deferred gain on refunding   |    | (205,909)            |
| Deferred loss on refunding   |    | 266,749              |
| Accrued interest payable   |    | (481,216)            |
| Compensated absences   |    | (2,629,855)          |
| Other post employment benefits obligation  |    | (7,920,426)          |
| Net pension obligation   |    | <u>(3,446,602)</u>   |
| Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities | \$ | <u>(132,084,078)</u> |

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities.

One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$20,638,589 difference are as follows:

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|  |                      |
|--|----------------------|
| Capital outlay - assets acquisitions   | \$ 28,389,637        |
| Depreciation expense   | <u>(7,751,048)</u>   |
| Net adjustment to increase net changes in fund balances -<br>total governmental funds to arrive at changes in net position<br>of governmental activities | <u>\$ 20,638,589</u> |

The next element of that reconciliation explains that “the net effects of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.” The details of this \$675,989 difference are as follows:

|  |                   |
|--|-------------------|
| Asset retirements and impairments  | \$ (57,949)       |
| Contribution of Capital Assets from outside organizations  | <u>733,938</u>    |
| Net adjustment to increase net changes in fund balances -<br>total governmental funds to arrive at changes in net position<br>of governmental activities | <u>\$ 675,989</u> |

The next element of that reconciliation explains that “certain deferred inflows of resources were earned in prior year.” The details of this \$(444,170) difference are as follows:

|  |                     |
|--|---------------------|
| Investment income not available for current financial resources  | \$ (29,465)         |
| Revenue that is earned but not received  | <u>(414,705)</u>    |
| Net adjustment to decrease net changes in fund balances -<br>total governmental funds to arrive at changes in net position<br>of governmental activities | <u>\$ (444,170)</u> |

The next element of that reconciliation explains that “certain long-term liabilities are accrued at the government-wide level but not at the fund level.” The details of this \$(1,746,553) difference are as follows: (Excludes Internal Service Funds)

|  |                       |
|--|-----------------------|
| Changes in:  |                       |
| Accrued interest/interest expense  | \$ (55,312)           |
| Other post employment benefits   | (1,737,118)           |
| Net pension obligation   | (48,170)              |
| Compensated absences   | <u>94,047</u>         |
| Net adjustment to decrease net changes in fund balances -<br>total governmental funds to arrive at changes in net position<br>of governmental activities | <u>\$ (1,746,553)</u> |

Another element of that reconciliation states that “bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the difference between repayments and proceeds received.” The details of this \$(16,026,975) difference are as follows: (Excludes Internal Service Funds)

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|  |                               |
|--|-------------------------------|
| Debt issued or incurred:   |                               |
| General obligation bonds   | \$ (250,000)                  |
| Refunding of bonds   | (3,936,985)                   |
| Certificates of obligation bonds   | (24,110,000)                  |
| Principal repayments:  |                               |
| General obligation bonds   | 5,743,148                     |
| General Obligation bonds - refunding   | 3,936,985                     |
| Certificates of obligation bonds   | 2,420,000                     |
| Sales tax revenue bonds  | 105,000                       |
| Loan repayments  | 310,812                       |
| Premium on bond sale   | (310,000)                     |
| Current year amortization of bond premium, discount,<br>deferred inflows and outflows (gain and loss)  | <u>64,065</u>                 |
| Net adjustment to decrease net changes in fund balances -<br>total governmental funds to arrive at changes in net position<br>of governmental activities | <u><u>\$ (16,026,975)</u></u> |

Another element of that reconciliation states that “the net revenue (expense) of internal service funds is reported with governmental activities.” The details of the \$781,736 difference are as follows:

|  |                          |
|--|--------------------------|
| Change in net position - internal service funds combined   | \$ 663,189               |
| Income (Expenses) reflected in business-type activities  | <u>118,547</u>           |
| Net adjustment to increase net changes in fund balances -<br>total governmental funds to arrive at changes in net position<br>of governmental activities | <u><u>\$ 781,736</u></u> |

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits - The City maintains an entity wide cash and investment pool that is available for use by all funds. Each fund’s portion of the pool is displayed on the statement of net position as “Cash, Cash Equivalents and Investments”.

The investment policy of the City is governed by State statute and a Council adopted City Investment Policy. Major controls stipulated in the Investment Policy include: depository limitations require Federal Deposit Insurance Corporation (“FDIC”) insurance or full 100 percent collateralization; depositories are limited to Texas banking institutions; all collateral for repurchase agreements and deposits held by independent third party trustees; all settlement is delivery versus payment; all authorized investments are defined; and diversification guidelines are set as are maximum maturity and maximum weighted average maturity.

State statutes require all time and demand deposits to be fully insured or collateralized. At September 30, 2014 the carrying amount of the City’s demand deposits were \$1,244,165. Accounts with under \$250,000 balance of either an interest bearing account or non-interest bearing account are covered by FDIC deposit insurance. The total cash held in demand deposits has been fully collateralized and meets statutes’ requirements.

As of September 30, 2014, the City’s investment pool portfolio (excluding bank deposits) are held by the City’s custodian in the City’s name under written agreements. The City’s custodian is JP Morgan Chase.

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All security investments are reported at fair value priced by an independent source. The City generally holds all investments to maturity.

The City's investment pool, excluding fiduciary funds, held the following cash, cash equivalents, and investments as of September 30, 2014:

|   | <u>Total</u>   |
|---|----------------|
| Cash on hand (petty cash, cashier tills) \$ | 11,050         |
| Demand Deposit Accounts                     | 1,244,165      |
| Investment Pools                            | 83,382,369     |
| Certificates of Deposit                     | 4,960,000      |
| US Treasury Notes                           | 37,982,728     |
| U.S. Agencies                               | 21,820,088     |
| Total deposits and investments              | \$ 149,400,400 |

*Investments* - Weighted average maturity ("WAM") of the portfolio by investment type categories reflected in the following table is stated in days. Investment type acronyms displayed in the following table are defined as follows: FHLB – Federal Home Loan Bank, FHLMC – Federal Home Loan Mortgage Corporation, FNMA – Federal National Mortgage Discounted Notes, and USTR – U.S. Treasury Notes. The rating agency acronym is defined as follows: S&P – Standard and Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. Additional information about the rating agencies or the significance of the ratings provided may be obtained from the agency's web site.

Legal provisions generally permit the City to invest in certificates of deposit, repurchase agreements, public funds investment pools, direct obligations of the United States of America or its subdivisions, and state and local government securities. Because the City is responsible for the investment portfolio of its blended component units, the City's investment practices and policies disclosed herein apply equally to its component units. During the year ended September 30, 2014, the City did not own any types of securities other than those permitted by statute.

The pools in which the City is currently participating seek to maintain a stable \$1 net asset value per share or unit. Accordingly, the fair value of the City's position in these pools is substantially the same as the market value of the shares in each of the pools.

TexPool falls under the purview of the Texas Comptroller of Public Accounts ("Comptroller") who is responsible for oversight of TexPool operations. LOGIC and TexSTAR have established a governing board at least partially comprised of pool participants. TexasTERM is directed by an Advisory Board of experienced local government officials, finance directors and treasurers and is managed by a team of industry leaders that are focused on providing professional investment services to investors. Duties of the governing boards include oversight responsibility. The Comptroller and the governing boards exercise oversight of the pools' activities via daily, weekly, and monthly reporting requirements. Additionally, per the requirements of the Public Funds Investment Act ("PFIA"), all pools will maintain an AAA or equivalent rating from at least one nationally recognized rating agency. The PFIA also requires an annual examination of the financial statements of the pools by an independent certified public accounting firm.

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The table below states investments at fair value:

| Investment Type                                     | WAM | Rating | Agency | Total                        |
|---|-----|--------|--------|------------------------------|
| Investment pools:                                   |     |        |        |                              |
| TexPool   | 51  | AAAm   | S&P    | \$ 42,356,186                |
| LOGIC   | 59  | AAAm   | S&P    | 9,128,168                    |
| TexSTAR   | 50  | AAAm   | S&P    | 1,547,885                    |
| Texas Term  | 47  | AAAm   | S&P    | 30,350,130                   |
| Total pools   |     |        |        | <u>\$ 83,382,369</u>         |
| Certificates of Deposit:                            | 5   | NR     | NR     | 4,960,000                    |
| Total certificates of deposit                       |     |        |        | <u>\$ 4,960,000</u>          |
| USTR  | 379 | AA+    | S&P    | 37,982,728                   |
| Total U.S. Treasuries                               |     |        |        | <u>\$ 37,982,728</u>         |
| U.S. Agencies and Government Sponsored Entities:    |     |        |        |                              |
| FHLB  | 49  | AA+    | S&P    | \$ 4,640,709                 |
| FHLMC   | 111 | AA+    | S&P    | 9,351,810                    |
| FNMA  | 61  | AA+    | S&P    | 7,827,569                    |
| Total U.S. Agencies & Government Sponsored Entities |     |        |        | <u>\$ 21,820,088</u>         |
| Total Portfolio                                     |     |        |        | <u><u>\$ 148,145,185</u></u> |

*NR - not rated*

**Interest Rate Risk** – Interest rate risk is the potential for a decline in market value due to rising interest rates. In accordance with its formally-adopted investment policy, the City manages its exposure to declines in fair market value by limiting the portfolio’s weighted average maturity to a maximum of 730 days. The City also employs an investment maturity laddering structure to stagger investment maturities at various monthly rungs on the ladder. This laddering structure provides the City with the ability to reinvest the proceeds from the maturities in higher-yielding securities given the proceeds are not required to meet immediate cash flow needs.

**Custodial Credit Risk** – Custodial credit risk is the risk that a government will not be able to recover (a) deposits if the depository financial institution fails or (b) the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the investment or deposit transaction fails. To minimize such risk, the City requires collateralization of most deposits in excess of coverage, utilizes the delivery vs. payment method for investment purchases, and contracts with a third-party safekeeping agent.

Per the terms of its depository agreement, for bank deposits in excess of the coverage provided by the FDIC, the City requires the depository bank to pledge to the City securities (collateral) equal to the following percentages, as applicable, to the largest balances the City maintains in the Bank.

| Maturity of Collateral | U.S.<br>Treasuries | Other<br>Securities |
|------------------------|--------------------|---------------------|
| 1 year or less         | 101%               | 102%                |
| 1 year to 5 years      | 102%               | 105%                |
| Over 5 years           | 103%               | 110%                |

The percentages as shown reflect the requirement based on market value of the pledged securities.

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The City's depository bank also acts as its safekeeping agent per the terms of the depository contract. City policy dictates that all securities rendered for payment will be sent delivery vs. payment meaning that the funds required for purchase of a security will not be released until the safekeeping agent has received the security purchased in the City's name. No broker holds City funds. The City does not purchase securities from its depository bank or any subsidiary banks of the same bank holding company.

Credit Risk – The Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In order to minimize credit risk, the City limits investments to those rated as to investment quality of not less than "A" or its equivalent by a nationally recognized rating firm. Diversification of the portfolio is also employed to manage credit risk. The investment policy limits the percentage of the portfolio that may be invested in any specific type of security. Ratings for the City's investments and the percentage of the total portfolio of each investment type held at the end of year can be found on the first table in this section.

OPEB Trust Fund Investments - The City has contracted with Public Agency Retirement Services (PARS) for trust administration and Union Bank serves as the trustee for all investments of the OPEB Trust Fund. The OPEB Plan does not have a formal policy for custodial credit risk. As of September 30, 2014 all investments are registered in the name of the OPEB Plan's custodian established through a master trust custodial agreement. The OPEB Trust Fund investments are carried at fair value of \$1,229,763 as of September 30, 2014. The Trust's funds are invested in a mutual fund that is invested in equity, money market and fixed income mutual funds. The investment strategy of the OPEB Trust Fund is to provide current income with capital appreciation. The credit rating and weighted average maturity is not available for the pool.

Interest Rate Risk – Interest rate risk is the potential for a decline in market value due to rising interest rates. In accordance with its formally-adopted investment policy, the Trust committee has chosen to use moderate risk levels. Exposure to market fluctuations can occur, and the investment strategy is reviewed annually to insure that exposure to these market fluctuations is appropriate level to invest.

Custodial Credit Risk – Custodial credit risk is the risk that a government will not be able to recover (a) deposits if the depository financial institution fails or (b) the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the investment or deposit transaction fails. The Trust is not covered by any collateralization agreement or FDIC insurance.

Credit Risk – The Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The risk tolerance chosen by the Trust is moderate. The mutual fund investment is not rated.

| <u>Investment Type</u> | <u>Total</u>        |
|------------------------|---------------------|
| Mutual Fund:           |                     |
| Highmark Moderate      | \$ 1,229,763        |
| Total mutual fund      | <u>\$ 1,229,763</u> |
| <br>                   |                     |
| Total Portfolio        | <u>\$ 1,229,763</u> |

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B. Receivables

Governmental and Business-type funds' receivables as of year-end for the City's major funds and non-major in the aggregate, net of the applicable allowances for uncollectible accounts, are as follows:

Governmental Funds:

|                          | General                    | Parks and<br>Recreation<br>Development | Non-major                | Total                      |
|--------------------------|----------------------------|--|--------------------------|----------------------------|
| Accounts                 | \$ 5,417,758               | \$ -                                   | \$ 99,618                | \$ 5,517,376               |
| Property taxes           | 724,623                    | -                                      | -                        | 724,623                    |
| Other taxes              | 1,922,856                  | 769,209                                | 824,198                  | 3,516,263                  |
| Total                    | <u>\$ 8,065,237</u>        | <u>\$ 769,209</u>                      | <u>\$ 923,816</u>        | <u>\$ 9,758,262</u>        |
| Allowance                | (5,676,430)                | -                                      | (2,778)                  | (5,679,208)                |
| Total (net of allowance) | <u><u>\$ 2,388,807</u></u> | <u><u>\$ 769,209</u></u>               | <u><u>\$ 921,038</u></u> | <u><u>\$ 4,079,054</u></u> |

Proprietary Funds:

|                          | Utility                    | Aquatic<br>Park          | Golf                   | Total                      | Internal<br>Service     |
|--------------------------|----------------------------|--------------------------|------------------------|----------------------------|-------------------------|
| Accounts                 | \$ 4,623,476               | \$ 257,213               | \$ 4,350               | \$ 4,885,039               | \$ 47,300               |
| Total                    | <u>\$ 4,623,476</u>        | <u>\$ 257,213</u>        | <u>\$ 4,350</u>        | <u>\$ 4,885,039</u>        | <u>\$ 47,300</u>        |
| Allowance                | (141,463)                  | -                        | -                      | (141,463)                  | -                       |
| Total (net of allowance) | <u><u>\$ 4,482,013</u></u> | <u><u>\$ 257,213</u></u> | <u><u>\$ 4,350</u></u> | <u><u>\$ 4,743,576</u></u> | <u><u>\$ 47,300</u></u> |

Unearned Revenue

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

|  | Unearned                 |
|--|--------------------------|
| General Fund:  |                          |
| Escrow deposits                                      | \$ 18,990                |
| LEOSE Public Safety proceeds                         | 31,847                   |
| Ambulance services                                   | 93,685                   |
| Other  | 1,212                    |
| Sub-total  | <u>\$ 145,734</u>        |
| Parks and Recreation Development Corporation:        |                          |
| Centre and event deposits for future services        | \$ 39,742                |
| Sub-total  | <u>\$ 39,742</u>         |
| Other governmental:                                  |                          |
| Other  | \$ 633                   |
| Sub-total  | <u>\$ 633</u>            |
| Total governmental funds                             | <u><u>\$ 186,109</u></u> |
| Business-type activities for unearned revenue is:    |                          |
| Advanced Payments, Gift Certificates, Store Credit   | \$ 80,906                |
| Total deferred/unearned revenue for enterprise funds | <u><u>\$ 80,906</u></u>  |

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C. Capital assets

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

| <b>Primary Government<br/>Governmental activities:</b>  | Beginning<br>Balance  | Increases            | Decreases           | Ending<br>Balance     |
|---|-----------------------|----------------------|---------------------|-----------------------|
| Capital assets, nondepreciable                          |                       |                      |                     |                       |
| Land  | \$ 79,580,847         | \$ 2,795,614         | \$ -                | \$ 82,376,461         |
| Works of art  | 298,208               | 12,000               | -                   | 310,208               |
| Assets held for sale                                    | -                     | 60,562               | -                   | 60,562                |
| Construction in progress                                | 10,871,577            | 27,358,154           | 4,466,331           | 33,763,400            |
| Total nondepreciable                                    | <u>90,750,632</u>     | <u>30,226,330</u>    | <u>4,466,331</u>    | <u>116,510,631</u>    |
| Capital assets, depreciable:                            |                       |                      |                     |                       |
| Buildings   | 59,392,556            | 1,312,819            | -                   | 60,705,375            |
| Other improvements                                      | 183,613,929           | 3,210,192            | -                   | 186,824,121           |
| Machinery and equipment                                 | 24,093,140            | 1,951,316            | 1,658,018           | 24,386,438            |
| Total depreciable                                       | <u>267,099,625</u>    | <u>6,474,327</u>     | <u>1,658,018</u>    | <u>271,915,934</u>    |
| Less accumulated depreciation for:                      |                       |                      |                     |                       |
| Buildings   | (17,631,615)          | (1,896,551)          | -                   | (19,528,166)          |
| Other improvements                                      | (83,052,807)          | (5,196,810)          | -                   | (88,249,617)          |
| Machinery and equipment                                 | (16,373,952)          | (1,499,172)          | (1,573,282)         | (16,299,842)          |
| Total accumulated depreciation                          | <u>(117,058,374)</u>  | <u>(8,592,533)</u>   | <u>(1,573,282)</u>  | <u>(124,077,625)</u>  |
| Total depreciable - net                                 | <u>150,041,251</u>    | <u>(2,118,206)</u>   | <u>84,736</u>       | <u>147,838,309</u>    |
| Governmental activities - net                           | <u>\$ 240,791,883</u> | <u>\$ 28,108,124</u> | <u>\$ 4,551,067</u> | <u>\$ 264,348,940</u> |
| <b>Primary Government<br/>Business-type activities:</b> | Beginning<br>Balance  | Increases            | Decreases           | Ending<br>Balance     |
| Capital assets, nondepreciable                          |                       |                      |                     |                       |
| Land  | \$ 2,579,137          | \$ -                 | \$ -                | \$ 2,579,137          |
| Construction in progress                                | 3,595,655             | 1,763,911            | 3,638,259           | 1,721,307             |
| Total nondepreciable                                    | <u>6,174,792</u>      | <u>1,763,911</u>     | <u>3,638,259</u>    | <u>4,300,444</u>      |
| Capital assets, depreciable:                            |                       |                      |                     |                       |
| Buildings   | 4,405,053             | -                    | -                   | 4,405,053             |
| Utility Plant   | 100,155,835           | 3,570,830            | 1,075,200           | 102,651,465           |
| Other improvements                                      | 24,549,098            | -                    | -                   | 24,549,098            |
| Machinery and equipment                                 | 5,060,547             | 119,911              | 807,523             | 4,372,935             |
| Total depreciable                                       | <u>134,170,533</u>    | <u>3,690,741</u>     | <u>1,882,723</u>    | <u>135,978,551</u>    |
| Less accumulated depreciation for:                      |                       |                      |                     |                       |
| Buildings   | (2,243,915)           | (147,578)            | -                   | (2,391,493)           |
| Utility Plant   | (49,879,306)          | (3,055,750)          | (939,730)           | (51,995,326)          |
| Other improvements                                      | (11,269,986)          | (824,215)            | -                   | (12,094,201)          |
| Machinery and equipment                                 | (3,137,274)           | (436,925)            | (754,639)           | (2,819,560)           |
| Total accumulated depreciation                          | <u>(66,530,481)</u>   | <u>(4,464,468)</u>   | <u>(1,694,369)</u>  | <u>(69,300,580)</u>   |
| Total depreciable - net                                 | <u>67,640,052</u>     | <u>(773,727)</u>     | <u>188,354</u>      | <u>66,677,971</u>     |
| Business-type activities - net                          | <u>\$ 73,814,844</u>  | <u>\$ 990,184</u>    | <u>\$ 3,826,613</u> | <u>\$ 70,978,415</u>  |

**CITY OF NORTH RICHLAND HILLS**

Notes to Basic Financial Statements

September 30, 2014

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

|  |                     |
|--|---------------------|
| Governmental activities:                             |                     |
| General government                                   | \$364,369           |
| Public safety  | 691,929             |
| Culture and recreation                               | 2,064,679           |
| Public works   | 4,582,712           |
| Internal services                                    | 888,844             |
| Total depreciation expense - governmental activities | <u>\$ 8,592,533</u> |

|   |                     |
|---|---------------------|
| Business-type activities:                             |                     |
| Water and sewer                                       | \$3,255,947         |
| Golf course   | 433,484             |
| Aquatic park  | 775,037             |
| Total depreciation expense - business-type activities | <u>\$ 4,464,468</u> |

Construction commitments

The City has active construction projects as of September 30, 2014. The projects include street construction, widening, and streetscaping; as well as construction of drainage facilities, parks and park improvements, and municipal facilities. At year-end the City's commitments with contractors were as follows:

|  | <u>Project<br/>Authorization</u> | <u>Expended to<br/>September 30,<br/>2014</u> | <u>Committed</u>     |
|--|----------------------------------|---|----------------------|
| Streets, drainage, public safety, park improvements, municipal facilities, equipment, and utility improvements | <u>\$ 172,867,327</u>            | <u>\$ 96,167,654</u>                          | <u>\$ 76,699,673</u> |

D. Interfund receivables, payables, and transfers

At September 30, 2014, interfund balances consisted of the following:

Due to and due from other funds are the short-term portion of the advances to and advances from other funds. The Golf Course Fund is currently repaying two interfund loans to the General Fund and the Utility Fund. The original General Fund loans were \$886,564 (which is an interest free loan) and is scheduled for full repayment in 2017. The original Utility Fund loan was \$536,000. The current estimated pay-off is fiscal year 2017.

Due to/due from balances for governmental and proprietary funds are as follows:

Governmental activities:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Total</u>      |
|------------------------|---------------------|-------------------|
| General Fund           | Golf Fund           | \$ 147,760        |
| Total                  |                     | <u>\$ 147,760</u> |

**CITY OF NORTH RICHLAND HILLS**  
Notes to Basic Financial Statements  
September 30, 2014

Business-type activities:

| Receivable Fund | Payable Fund | Total             |
|-----------------|--------------|-------------------|
| Utility Fund    | Golf Fund    | 34,208            |
| Total           |              | <u>\$ 34,208</u>  |
|                 |              | <u>\$ 181,968</u> |

Advances to other funds activity are expected to be reimbursed during a longer period of one year. The General Fund and the Utility Fund have advanced funds to Golf Fund for various equipment and machinery purchases. 2014 advances to other funds ending balances were as follows:

Governmental activities:

| Receivable Fund | Payable Fund | Total             |
|-----------------|--------------|-------------------|
| General Fund    | Golf fund    | \$ 293,524        |
| Total           |              | <u>\$ 293,524</u> |

Business-type activities:

| Receivable Fund | Payable Fund    | Total               |
|-----------------|-----------------|---------------------|
| Utility Fund    | Gas Development | \$ 3,226,239        |
|                 | Golf Fund       | 169,863             |
| Total           |                 | <u>3,396,102</u>    |
|                 |                 | <u>\$ 3,689,626</u> |

This section of this page is intentionally left blank. Notes to Basic Financial Statements are continued on the next page.

**CITY OF NORTH RICHLAND HILLS**  
Notes to Basic Financial Statements  
September 30, 2014

Transfers In/Out amounts for Governmental and Proprietary Funds are as follows:

|                             | Transfer in:        |                      |                     |                           |                   |                     | Total                |
|-----------------------------|---------------------|----------------------|---------------------|---------------------------|-------------------|---------------------|----------------------|
|                             | General             | General              | General Debt        | Parks and                 | Other             | Internal            |                      |
|                             | Fund                | Capital<br>Projects  | Service             | Recreation<br>Development | Governmental      | Service<br>Funds    |                      |
| Transfer out:               |                     |                      |                     |                           |                   |                     |                      |
| Governmental:               |                     |                      |                     |                           |                   |                     |                      |
| General Fund                | \$ -                | \$ 2,017,370         | \$ -                | \$ 487,102                | \$ 4,379          | \$ 78,810           | \$ 2,587,661         |
| General Capital Projects    | -                   | -                    | 65                  | -                         | 70,070            | 904,001             | 974,136              |
| Parks and Recreation        |                     |                      |                     |                           |                   |                     |                      |
| Development Fund            | 386,017             | -                    | 356,218             | -                         | 112,836           | -                   | 855,071              |
| Gas Development Fund        | -                   | 3,814,337            | 212,053             | -                         | -                 | -                   | 4,026,390            |
| Other Governmental          | -                   | 4,318,377            | 581,441             | -                         | -                 | -                   | 4,899,818            |
| Subtotal governmental funds | <u>\$ 386,017</u>   | <u>\$ 10,150,084</u> | <u>\$ 1,149,777</u> | <u>\$ 487,102</u>         | <u>\$ 187,285</u> | <u>\$ 982,811</u>   | <u>\$ 13,343,076</u> |
| Proprietary:                |                     |                      |                     |                           |                   |                     |                      |
| Utility Fund                | \$ 3,599,547        | \$ -                 | \$ -                | \$ -                      | \$ -              | \$ 225,000          | \$ 3,824,547         |
| Aquatic Park                | 143,942             | -                    | -                   | 75,125                    | -                 | -                   | 219,067              |
| Golf                        | -                   | -                    | -                   | -                         | -                 | -                   | -                    |
| Subtotal enterprise funds   | <u>3,743,489</u>    | <u>-</u>             | <u>-</u>            | <u>75,125</u>             | <u>-</u>          | <u>225,000</u>      | <u>4,043,614</u>     |
| Internal Service Funds      | -                   | -                    | 418,543             | -                         | -                 | -                   | 418,543              |
| Grand total                 | <u>\$ 4,129,506</u> | <u>\$ 10,150,084</u> | <u>\$ 1,568,320</u> | <u>\$ 562,227</u>         | <u>\$ 187,285</u> | <u>\$ 1,207,811</u> | <u>\$ 17,805,233</u> |

Governmental

In 2014, General Fund received \$386,017 from Parks and Recreation Development Corporation for indirect cost fee. Utility Fund transferred \$3,599,547. This transfer is for payment for administration fees, payment in lieu of tax, and franchise fees. Aquatic Parks paid for indirect and administration fees in the total sum of \$143,942.

General Capital projects received \$2,017,370 from General Fund. These transfers were for permanent street and sidewalk, and facility construction projects. Gas Development and Other Governmental funds transferred \$3,814,337 and \$4,318,377. These transfers represent funding for facilities construction.

General Debt Service receives transfer from self-supporting debt repayment sources each year. Parks and Recreation Development Corporation, Gas Development, Other Governmental, and Internal Service funds transferred \$356,218, \$212,053, \$581,441, and \$418,543 respectively for their portion of debt service paid in 2014. The other transfer of \$65 was for debt issuance premium allocated erroneously in a prior year to General Capital Projects Fund.

Parks and Recreation Development Corporation received a baseline level transfer in from General Fund for the Recreation Centre operations. The transfer amount for 2014 was \$487,102. Aquatic Park transfer of \$75,125 is an annual transfer to help offset operational costs incurred by the fund for the water park operations.

Other Governmental funds received a reimbursement of expenses from General Fund and General Capital Projects in amounts, respectively, totaling \$4,379 and \$70,070. Parks and Recreational Development Funds transferred the annual 4B sales tax proceeds to the Economic Development Fund in the amount of \$112,836.

**CITY OF NORTH RICHLAND HILLS**  
Notes to Basic Financial Statements  
September 30, 2014

Proprietary

Internal service funds received additional funding to help offset non-capital project related costs above normal operations. These transfers were respectively \$78,810 (General Fund), and \$225,000 (Utility Fund). General Capital Projects transferred in funding for equipment purchases to Fleet Services Fund. This transfer totaled \$904,001.

E. Long-term debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital assets such as streets, drainage structures, and municipal facilities, as well as for the purpose of refunding a portion of its outstanding debt. General obligation bonds have been issued for governmental activities (new animal adoption and rescue facility) during the year ended September 30, 2014. The debt issued was \$20,945,000. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year.

General obligation bonds currently outstanding are as follows:

| Purpose                  | Interest Rates | Principal Amount     |
|--------------------------|----------------|----------------------|
| Governmental activities  | 2.00 - 5.50%   | \$ 79,927,104        |
| Business-type activities | 2.00 - 4.00%   | 1,692,896            |
|                          |                | <u>\$ 81,620,000</u> |

Annual debt service requirements to maturity for general obligations bonds are as follows:

| Year Ending<br>September 30, | Governmental Activities |                      | Business-type Activities |                   |
|------------------------------|-------------------------|----------------------|--------------------------|-------------------|
|                              | Principal               | Interest             | Principal                | Interest          |
| 2015                         | \$ 6,599,376            | \$ 2,530,635         | \$ 375,624               | \$ 55,418         |
| 2016                         | 6,283,918               | 2,349,959            | 321,082                  | 43,842            |
| 2017                         | 5,832,841               | 2,165,039            | 317,159                  | 32,694            |
| 2018                         | 5,582,841               | 1,979,654            | 272,159                  | 21,718            |
| 2019                         | 5,168,918               | 1,801,032            | 116,082                  | 13,953            |
| 2020-2024                    | 22,309,210              | 6,553,782            | 290,790                  | 23,349            |
| 2025-2029                    | 17,690,000              | 3,329,416            | -                        | -                 |
| 2030-2034                    | 10,460,000              | 743,020              | -                        | -                 |
|                              | <u>\$ 79,927,104</u>    | <u>\$ 21,452,537</u> | <u>\$ 1,692,896</u>      | <u>\$ 190,974</u> |

Certificates of Obligation

The City also issues certificates of obligation ("CO's") to finance the acquisition and construction of capital assets including certain capital improvement projects, municipal facilities, and machinery and equipment.

**CITY OF NORTH RICHLAND HILLS**  
Notes to Basic Financial Statements  
September 30, 2014

Certificate of obligation bonds currently outstanding are as follows:

| Purpose                  | Interest Rates | Principal Amount     |
|--------------------------|----------------|----------------------|
| Governmental activities  | 1.25 - 5.00%   | \$ 36,050,000        |
| Business-type activities | 1.25 - 5.00%   | 15,280,000           |
|                          |                | <u>\$ 51,330,000</u> |

Annual debt service requirements to maturity for certificates of obligation of the primary government are as follows:

| Year Ending<br>September 30, | Governmental Activities |                     | Business-type Activities |                     |
|------------------------------|-------------------------|---------------------|--------------------------|---------------------|
|                              | Principal               | Interest            | Principal                | Interest            |
| 2015                         | \$ 3,135,000            | \$ 1,187,322        | \$ 1,065,000             | \$ 491,965          |
| 2016                         | 3,135,000               | 1,102,435           | 1,055,000                | 460,643             |
| 2017                         | 3,085,000               | 1,018,115           | 1,050,000                | 430,797             |
| 2018                         | 3,075,000               | 933,403             | 1,050,000                | 400,336             |
| 2019                         | 2,545,000               | 848,276             | 1,020,000                | 369,310             |
| 2020-2024                    | 11,795,000              | 2,969,512           | 4,835,000                | 1,370,332           |
| 2025-2029                    | 7,570,000               | 903,636             | 4,010,000                | 563,419             |
| 2030-2032                    | 1,710,000               | 147,301             | 1,195,000                | 59,556              |
|                              | <u>\$ 36,050,000</u>    | <u>\$ 9,110,000</u> | <u>\$ 15,280,000</u>     | <u>\$ 4,146,358</u> |

Sales tax revenue bonds

Activity of the Park and Recreation Facilities Development Corporation (Corporation) is reflected in the financial statements of the City as a blended component unit. The Corporation issues sales tax revenue bonds to finance new parks and recreation facilities as well as renovations and updates to existing parks and recreation facilities. Sales tax revenues are accumulated for the repayment of these revenue bonds. The debt and associated resources for repayment are included in the City's governmental activities.

Sales tax revenue bonds currently outstanding are as follows:

| Purpose                 | Interest Rates | Principal Amount  |
|-------------------------|----------------|-------------------|
| Governmental activities | 5.25%          | \$ 105,000        |
|                         |                | <u>\$ 105,000</u> |

Revenue bond debt service requirements to maturity are as follows:

| Year Ending<br>September 30, | Governmental Activities |                 |
|------------------------------|-------------------------|-----------------|
|                              | Principal               | Interest        |
| 2015                         | \$ 105,000              | \$ 5,513        |
|                              | <u>\$ 105,000</u>       | <u>\$ 5,513</u> |

**CITY OF NORTH RICHLAND HILLS**  
Notes to Basic Financial Statements  
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Capital Leases

Golf Fund entered into a lease agreement as lessee for the financing the acquisition of golf cart equipment originally valued at \$387,845. The equipment has a four year estimated useful life with a remaining net book value of \$0.00. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments were as follows:

| Year Ending<br>September 30,       | Business-type<br>Activities |
|------------------------------------|-----------------------------|
| 2015                               | \$ 81,899                   |
| 2016                               | 81,799                      |
| 2017                               | 92,400                      |
| Total Minimum Lease Payments       | 256,098                     |
| Less: Amount representing interest | (11,565)                    |
|                                    | \$ 244,533                  |

Refunding of Debt

On December 3, 2013, the City issued \$20.945 million in General Obligation Bonds with an average interest rate of 3.24852% percent to partial refund \$4.220 million of outstanding 2003 and 2004 General Obligation and Certificate of Obligations with an average interest rate of 4.465614 percent. The net proceeds of \$4,309,621 million (after payment of \$28,093 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of (\$114,630). This difference, reported in the accompanying financial statements as an increase from deferred loss on refunding, is being charged to operations through the year 2024. The City completed the refunding to reduce its total debt service payments over the next 10 years of \$368,043 to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$331,644.

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**CITY OF NORTH RICHLAND HILLS**  
Notes to Basic Financial Statements  
September 30, 2014

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2014, is reflected in the following tables.

|                                       | Beginning<br>Balance  | Additions            | Reductions           | Ending Balance        | Due Within<br>One Year |
|---------------------------------------|-----------------------|----------------------|----------------------|-----------------------|------------------------|
| <b>Governmental Activities:</b>       |                       |                      |                      |                       |                        |
| Bonds Payable                         |                       |                      |                      |                       |                        |
| General Obligation Bonds              | \$ 68,945,252         | \$ 20,580,000        | \$ 9,598,148         | \$ 79,927,104         | \$ 6,599,376           |
| Certificates of Obligation            | 30,910,000            | 7,560,000            | 2,420,000            | 36,050,000            | 3,135,000              |
| Sales Tax Revenue Bonds               | 210,000               | -                    | 105,000              | 105,000               | 105,000                |
| Loans Payable                         | 311,349               | -                    | 311,349              | -                     | -                      |
| Premium on Bond Issues                | 1,253,833             | 466,985              | 118,325              | 1,602,493             | -                      |
| Discount on Bond Issues               | (19,790)              | -                    | (2,012)              | (17,778)              | -                      |
| Compensated Absences                  | 2,974,092             | 412,555              | 506,683              | 2,879,964             | 162,104                |
| Other Post Employment Benefits        | 6,763,037             | 1,898,168            | -                    | 8,661,205             | -                      |
| Net Pension Obligation                | 3,712,197             | 52,635               | -                    | 3,764,832             | -                      |
| <b>Total Governmental Activities</b>  | <b>\$ 115,059,970</b> | <b>\$ 30,970,343</b> | <b>\$ 13,057,493</b> | <b>\$ 132,972,820</b> | <b>\$ 10,001,480</b>   |
| <b>Business-Type Activities:</b>      |                       |                      |                      |                       |                        |
| Bonds Payable                         |                       |                      |                      |                       |                        |
| General Obligation Bonds              | \$ 1,759,748          | \$ 365,000           | \$ 431,852           | \$ 1,692,896          | \$ 375,624             |
| Certificates of Obligation            | 15,300,000            | 1,330,000            | 1,350,000            | 15,280,000            | 1,065,000              |
| Capital Lease                         | 317,239               | -                    | 72,706               | 244,533               | 75,265                 |
| Premium on Bond Issues                | 164,020               | 7,637                | 13,320               | 158,337               | -                      |
| Discount on Bond Issues               | (39,003)              | -                    | (2,675)              | (36,328)              | -                      |
| Compensated Absences                  | 476,174               | 80,969               | 129,779              | 427,364               | 33,660                 |
| Other Post Employment Benefits        | 865,606               | 240,613              | -                    | 1,106,219             | -                      |
| Net Pension Obligation                | 463,446               | 6,672                | -                    | 470,118               | -                      |
| <b>Total Business-Type Activities</b> | <b>\$ 19,307,230</b>  | <b>\$ 2,030,891</b>  | <b>\$ 1,994,982</b>  | <b>\$ 19,343,139</b>  | <b>\$ 1,549,549</b>    |

**IV. OTHER INFORMATION**

**A. Risk management**

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. While the City has historically retained a portion of these risks, coverage exists for: general, employment practice, law enforcement, and errors and omissions liability; excess workers' compensation; property damage; commercial crime coverage; and employee life insurance. Premiums are paid into the self-insurance internal service fund by all other participating funds and are available to pay claims, claim reserves, and administrative costs of the program. As of September 30, 2014, the interfund expenses have exceeded claims expense.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for health and dental as well as workers' compensation claims that have been incurred but not reported ("IBNR"). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. An excess coverage medical insurance

**CITY OF NORTH RICHLAND HILLS**

Notes to Basic Financial Statements

September 30, 2014

policy covers individual claims in excess of \$175,000 and/or \$8,691,604 in the aggregate for a 12-month period beginning on January 1, 2014. Changes in the balances of claims liabilities during the past two years are as follows:

|                                  | <u>2014</u>        | <u>2013</u>         |
|----------------------------------|--------------------|---------------------|
| Unpaid claims, beginning of year | \$ 1,046,723       | \$ 1,036,724        |
| Incurred claims (including IBNR) | 9,046,171          | 8,002,401           |
| Claim expense                    | <u>(9,103,083)</u> | <u>(7,992,402)</u>  |
| Unpaid claims, end of year       | <u>\$ 989,811</u>  | <u>\$ 1,046,723</u> |

B. Contingent liabilities

The City has participated in a number of State and Federal assistance grant programs. Amounts received or receivable under these programs are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is a defendant in certain lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

C. Postemployment Benefits

Deferred Compensation Plan

The City offers its employees a deferred compensation plan (the "Plan") created in accordance with Internal Revenue Code Section 457. The Plan is administered by Public Employees Benefit Services Corporation. In 1998, the City implemented the requirements of GASB No. 32, *Accounting and Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. In accordance with this statement and tax law, the City has amended its trust agreements which establish that all assets and income of the trust are for the exclusive benefit of eligible employees and their beneficiaries. Due to the implementation of these changes, the City does not have any fiduciary responsibility or administrative duties relating to the deferred compensation plan other than remitting employees' contributions to the trustees. Accordingly, the City has not presented the assets and liabilities of the Plan in these basic financial statements.

Retiree Healthcare Plan

*Plan Description.* The City provides postretirement health and dental care benefits for retirees and their dependents. The City does not have a separate audited generally accepted accounting principles financial report for the retiree health plan.

The benefits vary depending upon a retiree's years of service. Retirees fall into three categories: full retirement, early retirement, and combined service retirement. The full retirement retiree pays 100% of the current premiums for health and dental care coverage for themselves and covered dependents. Early retirement and combined service retirement employees pay premiums for health and dental care coverage for themselves and covered dependents at 150% and 175%, respectively, of the current premium. The City's regular health and dental care benefit providers underwrite the retirees' policies. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans.

**CITY OF NORTH RICHLAND HILLS**  
Notes to Basic Financial Statements  
September 30, 2014

|   |            |
|---|------------|
| <u>Membership</u>                                       |            |
| Non-vested active members                               | 397        |
| Fully-vested active members                             | 92         |
| Retirees and beneficiaries currently receiving benefits | <u>131</u> |
|   | <u>620</u> |

The City of North Richland Hills Retired Employees Healthcare Plan (NRHREHP) is a single-employer defined benefit healthcare plan and is self administered through an internal oversight committee (appointed by the City Manager through conveyed authority from City Council). NRHREHP provides medical, prescription, and dental insurance benefits to eligible retirees and their spouses. City council is the authoritative body granting health care benefits for both active and retired employees.

*Funding Policy.* The contribution requirements of plan members and the state are established and may be amended by the City Council members. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund.

For fiscal year 2014, the City contributed a total of \$1,208,890 to the plan for current premiums. Of the \$1,208,890, \$100,000 was contributed to the OPEB Trust in addition to regular participation and health insurance premium activity.

It is anticipated that governmental fund General Fund will liquidate the majority other post employment benefits liabilities.

*Annual OPEB Cost and Net OPEB Obligation.* The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to NRHREHP:

|  | <u>2012</u>         | <u>2013</u>         | <u>2014</u>         |
|--|---------------------|---------------------|---------------------|
| Annual required contribution               | \$ 2,712,747        | \$ 2,991,041        | \$ 3,177,342        |
| Interest on net OPEB obligation            | 190,604             | 263,782             | 340,422             |
| Adjustment to annual required contribution | <u>(151,228)</u>    | <u>(209,284)</u>    | <u>(270,092)</u>    |
| Annual OPEB cost (expense)                 | 2,752,123           | 3,045,539           | 3,247,672           |
| Contributions made                         | <u>(1,125,966)</u>  | <u>(1,278,708)</u>  | <u>(1,108,890)</u>  |
| Increase (Decrease) in net OPEB obligation | 1,626,157           | 1,766,831           | 2,138,782           |
| Net OPEB obligation-beginning of year      | <u>4,235,655</u>    | <u>5,861,812</u>    | <u>7,628,642</u>    |
| Net OPEB obligation-end of year            | <u>\$ 5,861,812</u> | <u>\$ 7,628,642</u> | <u>\$ 9,767,424</u> |

**CITY OF NORTH RICHLAND HILLS**  
Notes to Basic Financial Statements  
September 30, 2014

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 through 2014:

| Fiscal<br>Year<br>Ended | Annual<br>OPEB<br>Cost | Percentage<br>of Annual<br>OPEB Cost<br>Contributed | Net OPEB<br>Obligation |
|-------------------------|------------------------|---|------------------------|
| 9/30/2012               | \$ 2,752,123           | 40.91%  | \$ 5,861,812           |
| 9/30/2013               | \$ 3,045,539           | 41.99%  | \$ 7,628,643           |
| 9/30/2014               | \$ 3,247,672           | 34.14%  | \$ 9,767,424           |

*Funded Status and Funding Progress.* As of September 30, 2014, the most recent actuarial valuation date, the plan was 2% percent funded. The actuarial accrued liability for benefits was \$48,231,929, and the actuarial value of assets was \$1,181,007, resulting in an unfunded actuarial accrued liability (UAAL) of \$47,050,922. The covered payroll (annual payroll of active employees covered by the plan) was \$32,272,161 and the ratio of the UAAL to the covered payroll was 145.8%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the September 30, 2014, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses), which is a the interest rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10.00% initially, reduced by decrements to an ultimate rate of 5.00% after ten years. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. Each component of the calculation is being amortized over a thirty year period since inception.

The healthcare cost trend rate for the plan used 9.5% for 2014 ending with 4.5% rate 2023 and beyond.

**CITY OF NORTH RICHLAND HILLS**

Notes to Basic Financial Statements

September 30, 2014

D. Employee retirement system and pension plan

Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System ("TMRS"), one of 842 administered by TMRS, an agent multiple-employer public employee retirement system. TMRS issues a publicly-available annual financial report that may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas 78714-9153.

Benefits depend upon the sum of the employees' contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150% and 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit. An updated service credit is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. The plan also provides death and disability benefits. A member is vested after 5 years. The plan provisions are adopted by the City Council, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Contribution

The contribution rate for employees is 7%, and the City's matching percent is currently 16.79%, both as adopted by the City Council. Under the state law governing TMRS, the actuary annually determines the City contribution rate. The rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his retirement becomes effective. The prior service contribution rate amortizes the unfunded actuarial liability over the remainder of the plan's 30-year amortization period. Contributions are made monthly by both the employees and the City.

The actuarial valuation is performed annually to determine the City's required contribution percentage. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2013 is effective for rates beginning January 2015). Effective for the valuation dated December 31, 2013, the TMRS Board of Trustees elected to change the actuarial cost (funding) method and assumptions.

**CITY OF NORTH RICHLAND HILLS**  
Notes to Basic Financial Statements  
September 30, 2014

Significant assumptions used in preparation of the last three valuations are as follows:

| Valuation Date                                | 12/31/2011                | 12/31/2012                | 12/31/2013                |
|---|---------------------------|---------------------------|---------------------------|
| Actuarial Cost Method                         | Projected Unit Credit     | Projected Unit Credit     | Entry Age Normal          |
| Amortization Method                           | Level Percent of Payroll  | Level Percent of Payroll  | Level Percent of Payroll  |
| GASB 25 Equivalent Single Amortization Period | 26.3 years: closed period | 25.3 years: closed period | 24.0 years: closed period |
| Amortization Period for new Gains/Losses      | 30 years                  | 30 years                  | 30 years                  |
| Asset Valuation Method                        | 10 year Smoothed Market   | 10 year Smoothed Market   | 10 year Smoothed Market   |
| <b>Actuarial Assumptions:</b>                 |                           |                           |                           |
| Investment Rate of Return *                   | 7.0%                      | 7.0%                      | 7.0%                      |
| Projected Salary Increases *                  | Varies by age and service | Varies by age and service | Varies by age and service |
| * Includes Inflation at                       | 3.0%                      | 3.0%                      | 3.0%                      |
| Cost-of-Living Adjustments                    | 2.1%                      | 2.1%                      | 2.1%                      |

The TMRS Board of Trustees, in an effort to assist cities with increases greater than .5% in the required contribution rates occurring as a result of the changes in funding method and assumptions, voted to (1) extend the period for amortizing the unfunded actuarial accrued liability (“UAAL”) to a 24 year closed period, and (2) allow the contribution rate increase to be phased in over an 8-year period (2009-2016) in determining the required contribution rate. Both options are automatic, but not mandatory. At a city’s request, TMRS will recalculate the contribution rate for a city that chooses a 30-year, closed amortization period. Cities may also choose to pay contributions in excess of the phase-in rate.

For cities with repeating features in their plans, these changes in the valuation methodology would likely result initially in higher required contributions and lower funded ratios. However, the funded ratio should show steady improvement over time. NRH has adopted the updated service credit and annuity increase provisions on an annually repeating basis. The schedule of funding progress, presented as Required Supplementary Information immediately following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The 2013 valuation resulted in an unfunded actuarial accrued liability (“UAAL”) of \$32,028,849, which represents the difference between the actuarial value of assets of \$171,398,436 and the actuarial/accrued liability of \$203,427,285. The funded ratio of the City’s plan increased from 83.4% to 85.8% as a result of the decreased UAAL.

The City’s contributions to the plan were \$5,607,046, \$5,537,775, and \$5,292,291, for the years ended September 30, 2014, 2013, and 2012, respectively, in accordance with actuarially determined requirements. Contributions by the City were 18.21% (phase in rate) for the months in calendar year

**CITY OF NORTH RICHLAND HILLS**  
Notes to Basic Financial Statements  
September 30, 2014

2013 and 17.64% for the months in calendar year 2012. The total covered payroll in fiscal 2013 was \$31,030,924.

The following tables shows the components of the City's annual net pension obligation costs for the year, the amount actually contributed to the plan, and changes in the City's net pension obligation:

|   | <u>2014</u>                | <u>2013</u>                | <u>2012</u>                |
|---|----------------------------|----------------------------|----------------------------|
| Annual required contribution                  | \$ 5,636,893               | \$ 5,310,872               | \$ 5,463,543               |
| Interest on net pension obligation            | 292,295                    | 281,941                    | 266,160                    |
| Adjustment to net pension obligation          | <u>(262,835)</u>           | <u>(247,707)</u>           | <u>(228,790)</u>           |
| Annual PENSION cost (expense)                 | 5,666,353                  | 5,345,106                  | 5,500,913                  |
| Contributions made                            | <u>(5,607,046)</u>         | <u>(5,537,775)</u>         | <u>(4,934,866)</u>         |
| Increase (Decrease) in net pension obligation | 59,307                     | (192,669)                  | 566,047                    |
| Net pension obligation-beginning of year      | <u>4,175,643</u>           | <u>4,368,312</u>           | <u>3,802,265</u>           |
| Net pension obligation-end of year            | <u><u>\$ 4,234,950</u></u> | <u><u>\$ 4,175,643</u></u> | <u><u>\$ 4,368,312</u></u> |

Annual pension cost and percentage of pension cost contributed are as follows:

| Fiscal<br>Year<br>Ended | Annual<br>Pension<br>Cost | Percentage<br>of Annual<br>Pension Cost<br>Contributed | Net Pension<br>Obligation |
|-------------------------|---------------------------|--|---------------------------|
| 9/30/2014               | \$ 5,666,353              | 99%  | \$ 4,234,950              |
| 9/30/2013               | 5,345,106                 | 104%   | 4,175,643                 |
| 9/30/2012               | 5,500,913                 | 90%  | 4,368,312                 |

It is anticipated that governmental major fund General Fund will liquidate the majority of net pension obligation.

E. Subsequent events

On December 2, 2014, the City issued \$21,990,000 in certificates of obligation bonds and \$10,835,000 in general and refunding obligation bonds. The reissued bonds are variable rates. The average interest rate on the bonds is 4.79% and 3.86% and both issues mature in February 2034.

F. Implementation of future GASB Statements

The Governmental Accounting Standards Board ("GASB") has issued the following new statements to be implemented in future years.

**Statement No. 68: Accounting and Financial Reporting for Pensions**

GASB Statement No. 68: Accounting and Financial Reporting for Pensions was also issued in June 2012. This statement establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans, as well as for non-employer governments that have a legal obligation to contribute to those plans. This statement requires the recognition of the entire net pension liability and a more comprehensive measure of pension expense, along with additional required footnote disclosures. This standard becomes effective for the City in fiscal year 2015.

**CITY OF NORTH RICHLAND HILLS**  
Notes to Basic Financial Statements  
September 30, 2014

***Statement No. 69: Government Combinations and Disposals of Governmental Operations***

GASB Statement No. 69: Government Combinations and Disposals of Government Operations was issued in January 2013. The objective of this Statement is to improve accounting and financial reporting for U.S. state and local governments' combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The new standard provides guidance for:

- Determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations;
- Using carrying values (generally, the amounts recognized in the pre-combination financial statements of the combining governments or operations) to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations;
- Measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based upon their acquisition values in a government acquisition; and
- Reporting the disposal of government operations that have been transferred or sold.

This Statement is effective for the City's financial periods beginning October 1, 2014.

***Statement No.70: Accounting and Financial Reporting for Nonexchange Financial Guarantees***

GASB Statement No. 70: Accounting and Financial Reporting for Nonexchange Financial Guarantees was issued in April 2013. The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. This Statement also will enhance the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees. This Statement also will augment the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee. This standard becomes effective for the City in fiscal year 2014

***Statement No.71: Pension Transition for Contributions Made Subsequent to the Measurement Date***

GASB Statement No. 71: Pension Transition for Contributions Made Subsequent to the Measurement Date was issued in November 2013. This statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, Accounting and Financial Reporting for Pensions, concerning transition provision related to certain pension contributions made to defined benefit pension plans prior to implementation of that statement. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. This benefit will be achieved without the imposition of significant additional costs. This standard becomes effective for the City in fiscal year 2015.

The City has not yet determined the effect on the City's financial statements or disclosures upon implementation of these new accounting standards.

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**REQUIRED SUPPLEMENTARY INFORMATION**



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**CITY OF NORTH RICHLAND HILLS, TEXAS**

Required Supplementary Information  
Texas Municipal Retirement System Plan  
Schedule of Funding Progress

| Valuation<br>Dated<br>December 31, | Actuarial<br>Value of<br>Assets | Actuarial<br>Accrued<br>Liability | Unfunded<br>Actuarial Accrued<br>Liability<br>(UAAL) | Funded<br>Ratio | Annual<br>Covered<br>Payroll | UAAL<br>as % of<br>Payroll |
|------------------------------------|---------------------------------|-----------------------------------|--|-----------------|------------------------------|----------------------------|
| 2008                               | 83,565,864                      | 120,213,148                       | 36,647,284   | 69.5%           | 26,422,388                   | 138.70%                    |
| 2009                               | 87,571,726                      | 126,032,523                       | 38,460,797   | 69.5%           | 29,618,737                   | 129.85%                    |
| 2010                               | 133,721,663                     | 164,549,231                       | 30,827,568   | 81.3%           | 29,229,045                   | 105.47%                    |
| 2011                               | 145,529,766                     | 174,478,790                       | 28,949,024   | 83.4%           | 29,291,853                   | 98.83%                     |
| 2012                               | 157,413,007                     | 183,473,900                       | 26,060,893   | 85.8%           | 29,986,516                   | 86.91%                     |
| 2013                               | 171,398,436                     | 203,427,285                       | 32,028,849   | 84.3%           | 31,030,924                   | 103.22%                    |

Note: The Schedule of Funding Progress summarizes the actuarial value of the plan's assets and actuarial accrued liability as of December 31, 2013 and each of the five preceding calendar years. The data presented in the schedule was obtained annually from TMRS and are based on the annual actuarial valuation for the years represented. The City is financially responsible for its own portion of the plan. Therefore, the numbers shown above reflect only the position of the City's plan.

The schedule is presented to provide a consistent basis for measuring the plan's annual progress toward funding its actuarial accrued liability in accordance with its actuarial funding method. The primary measure of funding progress is the plan's funded ratio (i.e., actuarial value of assets expressed as a percentage of the actuarial accrued liability). An increase in the funded ratio indicates improvement in the plan's ability to pay all projected benefits as they come due. The plan is fully funded if the funded ratio is greater than or equal to 100%. During the year ended December 31, 2013, the plan's funded ratio decreased from 85.8% to 84.3%.

The Schedule of Funding Progress also discloses the relationship between the plan's covered payroll (i.e., all elements included in compensation paid to active members on which contributions are based) and the unfunded actuarial accrued liability ("UAAL"). This relationship, expressed as a ratio, is a measure of the significance of the UAAL relative to the capacity to pay all contributions required to fund the liability. During the year ended December 31, 2013, the plan's ratio of the UAAL to its covered payroll increased from 86.91% to 103.22%.

City's annual contribution stated as a percentage of covered payroll:

|  | For Calendar Year |        |        |        |        |        |
|--|-------------------|--------|--------|--------|--------|--------|
|  | 2014              | 2013   | 2012   | 2011   | 2010   | 2009   |
|  | 17.64%            | 17.87% | 17.77% | 17.26% | 16.07% | 15.50% |

Note Source: TMRS Comprehensive Annual Report for the Year Ending December 31, 2013, Actuarial Section and City records.

**CITY OF NORTH RICHLAND HILLS, TEXAS**  
 Required Supplementary Information  
 North Richland Hills Other Post Employment Benefits  
 Schedule of Funding Progress

| Valuation<br>Dated<br>September<br>30, | Actuarial<br>Value of<br>Assets | Actuarial<br>Accrued<br>Liability (AAL) | Unfunded<br>Actuarial<br>Accrued<br>Liability<br>(UAAL) | Fund Ratio | Annual<br>Covered<br>Payroll | UAAL<br>as % of<br>Payroll |
|--|---------------------------------|---|---|------------|------------------------------|----------------------------|
| 2009                                   | \$ -                            | \$ 37,107,498                           | \$ 37,107,498   | 0.00%      | \$ 29,762,000                | 124.70%                    |
| 2010                                   | \$ 518,660                      | \$ 38,868,426                           | \$ 38,349,766   | 1.00%      | \$ 30,952,000                | 123.90%                    |
| 2011                                   | \$ 595,415                      | \$ 42,098,543                           | \$ 41,450,154   | 2.00%      | \$ 30,514,794                | 135.80%                    |
| 2012                                   | \$ 779,748                      | \$ 44,173,440                           | \$ 43,393,624   | 2.00%      | \$ 31,735,386                | 136.70%                    |
| 2013                                   | \$ 1,032,303                    | \$ 46,317,371                           | \$ 45,285,068   | 2.00%      | \$ 31,030,924                | 145.90%                    |
| 2014                                   | \$ 1,181,007                    | \$ 48,231,929                           | \$ 47,050,922   | 3.00%      | \$ 32,272,161                | 145.80%                    |

CITY OF NORTH RICHLAND HILLS, TEXAS  
 Required Supplementary Information (unaudited)  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual  
 GENERAL FUND  
 For the Year Ended September 30, 2014

|  | <u>Budgeted Amounts</u> |                   |                   | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-------------------------|-------------------|-------------------|---|
|  | <u>Original</u>         | <u>Final</u>      | <u>Actual</u>     |   |
| <b>REVENUES</b>                                |                         |                   |                   |   |
| Taxes:   |                         |                   |                   |   |
| Property taxes (penalties & interest included) | \$ 15,360,344           | \$ 14,999,898     | \$ 15,078,132     | \$ 78,234   |
| City sales taxes                               | 8,957,844               | 9,028,210         | 9,009,968         | (18,242)  |
| Mixed beverage taxes                           | 105,000                 | 125,000           | 129,512           | 4,512   |
| Franchise taxes                                | 4,917,491               | 5,108,828         | 5,087,064         | (21,764)  |
| Sub-total Taxes                                | <u>29,340,679</u>       | <u>29,261,936</u> | <u>29,304,676</u> | <u>42,740</u>   |
| Fines and forfeitures                          | 2,601,090               | 1,991,180         | 1,990,953         | (227)   |
| Licenses and permits                           | 1,811,300               | 1,860,508         | 1,853,930         | (6,578)   |
| Charges for services                           | 3,485,750               | 3,384,632         | 3,136,249         | (248,383)   |
| Intergovernmental                              | 4,364,104               | 4,391,834         | 4,346,702         | (45,132)  |
| Miscellaneous                                  | 747,612                 | 741,018           | 767,724           | 26,706  |
| Sub-total Non-Tax Revenues                     | <u>13,009,856</u>       | <u>12,369,172</u> | <u>12,095,558</u> | <u>(273,614)</u>  |
| Other Appropriations:                          |                         |                   |                   |   |
| Legal settlement                               | -                       | 94,000            | 94,000            | -   |
| Court Technology Funds                         | -                       | 413,838           | 413,838           | -   |
| Utility Assistance Program                     | 20,000                  | 15,000            | 15,000            | -   |
| PEG Fees                                       | -                       | 650,000           | 650,000           | -   |
| Record Preservation Fees                       | -                       | 60,688            | 60,688            | -   |
| Previous year encumbrances                     | -                       | 279,902           | 279,902           | -   |
| General Fund Reserves                          | -                       | 82,800            | 82,800            | -   |
| Sub-Total Appropriations                       | <u>20,000</u>           | <u>1,596,228</u>  | <u>1,596,228</u>  | <u>-</u>  |
| <b>TOTAL REVENUES</b>                          | <u>42,370,535</u>       | <u>43,227,336</u> | <u>42,996,462</u> | <u>(230,874)</u>  |
| <b>EXPENDITURES</b>                            |                         |                   |                   |   |
| City Council                                   | 125,462                 | 122,639           | 102,844           | 19,795  |
| City Manager                                   | 544,522                 | 476,943           | 475,273           | 1,670   |
| Communications                                 | 349,412                 | 348,697           | 336,172           | 12,525  |
| City Secretary                                 | 464,119                 | 501,404           | 490,005           | 11,399  |
| Legal  | 338,753                 | 294,120           | 268,829           | 25,291  |
| Human Resources                                | 118,165                 | 118,165           | 117,203           | 962   |
| Finance  | 658,178                 | 655,510           | 637,863           | 17,647  |
| Budget & Research                              | 399,859                 | 402,456           | 396,715           | 5,741   |
| Municipal Court                                | 1,348,390               | 1,353,648         | 1,315,875         | 37,773  |
| Planning and Inspections                       | 998,454                 | 998,276           | 1,001,317         | (3,041)   |
| Economic Development                           | 316,942                 | 294,983           | 289,945           | 5,038   |
| Library  | 2,054,332               | 2,051,416         | 1,991,676         | 59,740  |
| Neighborhood Services                          | 1,655,862               | 1,666,490         | 1,621,342         | 45,148  |
| Public Works                                   | 3,745,142               | 3,763,147         | 3,657,403         | 105,744   |
| Parks & Recreation                             | 2,063,728               | 2,027,366         | 2,029,723         | (2,357)   |
| Police   | 12,418,255              | 12,279,632        | 12,387,294        | (107,662)   |
| Emergency Management                           | 820,544                 | 944,930           | 837,840           | 107,090   |
| Fire   | 10,531,623              | 10,562,095        | 10,317,975        | 244,120   |
| Building Services                              | 705,401                 | 705,401           | 705,401           | -   |
| Non-Departmental                               | 2,226,781               | 2,082,208         | 2,006,116         | 76,092  |
| Sub-Total Departments                          | <u>41,883,924</u>       | <u>41,649,526</u> | <u>40,986,811</u> | <u>662,715</u>  |
| Reserves & Other Expenditures                  |                         |                   |                   |   |
| Reserves                                       | 410,729                 | 1,448,800         | 1,483,370         | (34,570)  |
| Information services                           | 75,882                  | 78,810            | 78,810            | -   |
| Sub-Total Reserves and Other                   | <u>486,611</u>          | <u>1,527,610</u>  | <u>1,562,180</u>  | <u>(34,570)</u>   |
| <b>TOTAL EXPENDITURES</b>                      | <u>42,370,535</u>       | <u>43,177,136</u> | <u>42,548,991</u> | <u>628,145</u>  |
| Net Increase                                   | <u>\$ -</u>             | <u>\$ 50,200</u>  | <u>\$ 447,471</u> | <u>\$ 397,271</u>                                       |

*The notes to the required supplemental information are an integral part of this schedule.*

**CITY OF NORTH RICHLAND HILLS, TEXAS**  
Notes to Required Supplementary Information  
September 30, 2014

**A. Budgetary Information**

Annual budgets are adopted on a modified cash basis for the following : General, General Debt Service, Promotional, Donations, Special Investigation, Drainage Utility, Parks and Recreation Development, Crime Control District, Gas Development, Traffic Safety, Utility, Aquatic Park, Golf, Facilities and Construction, Fleet Services, Self Insurance, and Information Systems. The General Capital Projects Fund and Grants Fund adopt project-length budgets. All annual appropriations lapse at fiscal year end.

Prior to September 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments. Prior to September 30, the budget is legally enacted through passage of an ordinance.

The appropriated budget is prepared by fund, department, and division. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. During the year the City budget appropriations were increased by \$5,983,615.

| <u>Legally Adopted Fund</u> | <u>Original</u> | <u>Final</u>  | <u>Revision<br/>Increase<br/>(Decrease)</u> | <u>Explanation</u>   |
|-----------------------------|-----------------|---------------|---|--|
| General Fund                | \$ 42,370,535   | \$ 43,177,136 | \$ 806,601                                  | Prior year encumbrances totaling \$279,902 rolled into FY13/14 accounting for a part of this increase. The other portion of the increase is related to budgeted increase in transfer of reserves to Capital Improvement Funds. Specifically, the new City Hall Facility Construction project, as well as, Street Maintenance programs. |
| General Debt Service        | \$ 9,619,723    | \$ 9,726,474  | \$ 106,751                                  | During the fiscal year, minor adjustments were made to revise budget to include actual, instead of estimated, principal and interest payments.   |
| Parks and Recreation        | \$ 7,881,890    | \$ 7,987,659  | \$ 105,769                                  | The fund is ending in positive operation position and therefore, a budget increase to transfer the increase to reserves for future operations or capital needs.  |
| Promotional                 | \$ 211,175      | \$ 208,997    | \$ (2,178)                                  | Minor budget revisions were submitted for this fund resulting in a decrease in appropriations for the year.  |
| Donations                   | \$ 140,314      | \$ 607,686    | \$ 467,372                                  | The increase was due to transfer out of donations received for the construction of a new Animal Control facility.  |
| Special Investigations      | \$ 463,069      | \$ 675,565    | \$ 212,496                                  | During the fiscal year, appropriations increased for a transfer out to capital to fund Special Investigations supported capital purchases in the construction of the new City Hall Facility.   |
| Crime Control District      | \$ 4,566,145    | \$ 4,589,380  | \$ 23,235                                   | The increase is associated with natural increases in merit and shifting of payroll plans to meet market rates in the metroplex area.   |
| Gas Development             | \$ 212,053      | \$ 4,026,390  | \$ 3,814,337                                | Fiscal year saw an opportunity to purchase a building for City usage. The building was paid for by an appropriations increase to this fund.  |
| Traffic Safety              | \$ 869,852      | \$ 985,272    | \$ 115,420                                  | The appropriations increase was directly related to a transfer out of the fund into a capital projection for the new City Hall Facility.   |
| Utility                     | \$ 30,598,049   | \$ 30,720,065 | \$ 122,016                                  | Of the increase, \$137,000 is attributed to a transfer to reserves for future operational and capital needs. Some offsetting decreases to accommodate the transfer were seen in general operations.  |

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|-----------------------------|-----------------------|-----------------------|---------------------|---|
| Aquatic Park                | \$ 4,806,812          | \$ 4,489,487          | \$ (317,325)        | The appropriation decrease was partially due to reducing the transfer of net operations to reserves for future operational and capital needs. This decrease totaled approximately \$173 thousand. The other portion of the decrease was budget revisions to operational costs to offset loss in revenue due to a rainy season during the live season of the water park. |
| Golf                        | \$ 2,496,180          | \$ 2,327,673          | \$ (168,507)        | The fund operations saw a reduction in revenue due to heavy highway construction impeding customer usage during the fiscal year. To offset decrease in revenues, the fund reduced operational expense budgets.  |
| Facilities and Construction | \$ 2,666,340          | \$ 2,664,154          | \$ (2,186)          | Minor budget revisions were submitted for this fund resulting in a decrease in appropriations for the year.   |
| Fleet Services              | \$ 3,625,455          | \$ 3,726,809          | \$ 101,354          | The increase was partially related to expected increase in usage and price increase of fuel (\$45 thousand). The other portion of the increase is directly related to personnel costs and various cumulative operational increases at mid-year revision.  |
| Self Insurance              | \$ 10,532,189         | \$ 11,012,508         | \$ 480,319          | The Fiscal 2013/2014 fiscal year saw an increase in overall claims activity for the year. Several major illnesses and medical events caused the increase.   |
| Information Systems         | \$ 2,975,589          | \$ 3,093,730          | \$ 118,141          | The appropriation revision to increase the budget was partially related to hiring a consultant mid year to obtain new public safety software (\$89 thousand increase). The change was due to various increases at mid-year budget process for unexpected data and infrastructure needs.   |
| <b>Total</b>                | <b>\$ 124,035,370</b> | <b>\$ 130,018,985</b> | <b>\$ 5,983,615</b> |   |

**B. General Fund Budget-to-Actual Reconciliation**

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

|   |             |
|---|-------------|
| Net increase (decrease) to budgetary unreserved undesignated fund balance   | \$ 447,471  |
| The City budgets "appropriations from fund balance" as a resource/inflow but in GAAP statements it is not a revenue or inflow source for current year revenue recognition   | (1,596,228) |
| The City budgets specific "Reserves" expenditures as a outflow but in GAAP statements it is not an expenditure: Peg Franchise Fees Reserves and Record Preservation Fees.   | 172,000     |
| Increase (decrease) in investment fair value changes and interest unavailable are not considered a resource/inflow for budgetary recognition  | (26,488)    |
| Increase (decrease) in intergovernmental shared services revenue are not considered a resource/inflow for budgetary recognition because payment for services will be received in subsequent fiscal year.                                | 10,330      |
| Increase (decrease) in miscellaneous revenue are not considered a resource/inflow for budgetary recognition because payment for services will be received in subsequent fiscal year.  | 4,245       |
| Sources/Inflows for advances given to other funds are not recognized as revenues in GAAP statements; only recognized as reduction of an asset on balance sheet and not a transfer in  | (147,720)   |
| Outflows of sources for prepaid expenditures for budgetary purposes are immediately recognized as an outflow upon remittance of payment in budgetary basis. GAAP statements delay expenditure recognition until the period of coverage. | 44,681      |

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|  |                              |
|--|------------------------------|
| Outflows for expenditures for budgetary basis is recognized in actual period in which resources were used to expend the payment. Litigation and certain emergency expenditures incurred but not paid in current fiscal year were delayed to be appropriated in period the outflows transpired. | 26,508                       |
| Special funded projects are appropriated through long range capital improvement budget in which segregated and specific funding is appropriated outside of the operating budget  | (68,838)                     |
| Total "Net Change in Fund Balance" from the Statement of Revenues, Expenditures, and Changes in Balances - Governmental Fund -- General Fund   | <u><u>\$ (1,134,039)</u></u> |

**C. General Debt Service Fund Budget-to-Actual Reconciliation**

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

|   |                            |
|---|----------------------------|
| Net increase (decrease) to budgetary unreserved undesignated fund balance   | <u>\$ 166,069</u>          |
| The City budgets "Appropriations of Fund Balances" revenues as a inflow of resources but for GAAP purposes these inflows were recognized in prior periods.  | (994,243)                  |
| Outflows of sources for prepaid expenditures for budgetary purposes are immediately recognized as an outflow upon remittance of payment in budgetary basis. GAAP statements delay expenditure recognition until the period of coverage. | (5,044)                    |
| Total "Net Change in Fund Balance" from the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund -- General Debt Service  | <u><u>\$ (833,218)</u></u> |

**D. Parks and Recreation Development Corporation Budget-to-Actual Reconciliation**

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

|   |                            |
|---|----------------------------|
| Net increase (decrease) to budgetary unreserved undesignated fund balance   | <u>\$ -</u>                |
| The City budgets specific "Reserves" expenditures as a outflow but in GAAP statements it is not an expenditure: Net Operations from Parks Maintenance, Tennis Center, and Recreation Centre for future capital or operational needs     | 1,646,520                  |
| Increase (decrease) in intergovernmental shared services revenue are not considered a resource/inflow for budgetary recognition because payment for services will be received in subsequent fiscal year.                                | 1,372                      |
| Increase (decrease) in miscellaneous revenue are not considered a resource/inflow for budgetary recognition because payment for services will be received in subsequent fiscal year.  | 2,180                      |
| Outflows of sources for prepaid expenditures for budgetary purposes are immediately recognized as an outflow upon remittance of payment in budgetary basis. GAAP statements delay expenditure recognition until the period of coverage. | 3,898                      |
| Special funded projects inflows/resources are appropriated through long range capital improvement budget in which segregated and specific funding is appropriated outside of the operating budget                                       | 1,393,888                  |
| Special funded projects expenditures are appropriated through long range capital improvement budget in which segregated and specific funding is appropriated outside of the operating budget  | (3,380,015)                |
| Total "Net Change in Fund Balance" from the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund -- Parks and Recreation Development Corporation  | <u><u>\$ (332,157)</u></u> |

**E. Gas Development Fund Budget-to-Actual Reconciliation**

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

|   |                   |
|---|-------------------|
| Net increase (decrease) to budgetary unreserved undesignated fund balance | <u>\$ 520,305</u> |
|---|-------------------|

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|---|------------------------------|
| Increase (decrease) in investment fair value changes and interest unavailable are not considered a resource/inflow for budgetary recognition  | (16,235)                     |
| Special funded projects inflows/resources are appropriated through long range capital improvement budget in which segregated and specific funding is appropriated outside of the operating budget | (2,626,239)                  |
| Special funded projects expenditures are appropriated through long range capital improvement budget in which segregated and specific funding is appropriated outside of the operating budget      | (4,087,347)                  |
| Total "Net Change in Fund Balance" from the Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds -- Gas Development Fund                               | <u><u>\$ (6,209,516)</u></u> |

**F. Promotional Fund Budget-to-Actual Reconciliation**

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

|   |                         |
|---|-------------------------|
| Net increase (decrease) to budgetary unreserved undesignated fund balance   | <u>\$ 16,015</u>        |
| Increase (decrease) in investment fair value changes and interest unavailable are not considered a resource/inflow for budgetary recognition  | (673)                   |
| Outflows of sources for prepaid expenditures for budgetary purposes are immediately recognized as an outflow upon remittance of payment in budgetary basis. GAAP statements delay expenditure recognition until the period of coverage. | 963                     |
| Total "Net Change in Fund Balance" from the Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Non-Major Governmental Funds -- Promotional Fund   | <u><u>\$ 16,305</u></u> |

**F. Donations Fund Budget-to-Actual Reconciliation**

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

|   |                            |
|---|----------------------------|
| Net increase (decrease) to budgetary unreserved undesignated fund balance   | <u>\$ 76,459</u>           |
| The City budgets "appropriations from fund balance" as a resource/inflow but in GAAP statements it is not a revenue or inflow source for current year revenue recognition   | (452,000)                  |
| Increase (decrease) in investment fair value changes and interest unavailable are not considered a resource/inflow for budgetary recognition  | (3,733)                    |
| Outflows of sources for prepaid expenditures for budgetary purposes are immediately recognized as an outflow upon remittance of payment in budgetary basis. GAAP statements delay expenditure recognition until the period of coverage. | 391                        |
| Total "Net Change in Fund Balance" from the Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Non-Major Governmental Funds -- Donations Fund   | <u><u>\$ (378,883)</u></u> |

**G. Special Investigation Fund Budget-to-Actual Reconciliation**

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

|   |                  |
|---|------------------|
| Net increase (decrease) to budgetary unreserved undesignated fund balance   | <u>\$ 27,739</u> |
| The City budgets "appropriations from fund balance" as a resource/inflow but in GAAP statements it is not a revenue or inflow source for current year revenue recognition | (345,923)        |
| The City budgets specific "Reserves" expenditures as a outflow but in GAAP statements it is not an expenditure: 911 Telecom; Automated Fingerprint ID System; Reserves    | 329,810          |
| Increase (decrease) in investment fair value changes and interest unavailable are not considered a resource/inflow for budgetary recognition                              | (782)            |

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Outflows of sources for prepaid expenditures for budgetary purposes are immediately recognized as an outflow upon remittance of payment in budgetary basis. GAAP statements delay expenditure recognition until the period of coverage.

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|   |           |
|---|-----------|
| Total "Net Change in Fund Balance" from the Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Non-Major Governmental Funds -- Special Investigation Fund | \$ 10,965 |
|---|-----------|

**H. Drainage Utility Fund Budget-to-Actual Reconciliation**

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

|  |            |
|--|------------|
| Net increase (decrease) to budgetary unreserved undesignated fund balance  | \$ 221,265 |
| Increase (decrease) in investment fair value changes and interest unavailable are not considered a resource/inflow for budgetary recognition | (195)      |

|  |            |
|--|------------|
| Total "Net Change in Fund Balance" from the Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Non-Major Governmental Funds -- Drainage Utility Fund | \$ 221,070 |
|--|------------|

**G. Crime Control District Fund Budget-to-Actual Reconciliation**

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

|   |            |
|---|------------|
| Net increase (decrease) to budgetary unreserved undesignated fund balance   | \$ 220,253 |
| Increase (decrease) in investment fair value changes and interest unavailable are not considered a resource/inflow for budgetary recognition  | 675        |
| Outflows of sources for prepaid expenditures for budgetary purposes are immediately recognized as an outflow upon remittance of payment in budgetary basis. GAAP statements delay expenditure recognition until the period of coverage. | 15,124     |
| The City budgets specific "Reserves" expenditures as a outflow but in GAAP statements it is not an expenditure: Investigations  | 80,281     |

|  |            |
|--|------------|
| Total "Net Change in Fund Balance" from the Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Non-Major Governmental Funds -- Crime Control District Fund | \$ 316,333 |
|--|------------|

**H. Traffic Safety Fund Budget-to-Actual Reconciliation**

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

|   |            |
|---|------------|
| Net increase (decrease) to budgetary unreserved undesignated fund balance   | \$ 115,454 |
| The City budgets "appropriations from fund balance" as a resource/inflow but in GAAP statements it is not a revenue or inflow source for current year revenue recognition | (125,000)  |
| Increase (decrease) in investment fair value changes and interest unavailable are not considered a resource/inflow for budgetary recognition                              | (2,880)    |

|  |             |
|--|-------------|
| Total "Net Change in Fund Balance" from the Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Non-Major Governmental Funds -- Traffic Safety Fund | \$ (12,426) |
|--|-------------|

**I. Utility Fund Budget-to-Actual Reconciliation**

An explanation of the differences between budgetary inflows and outflows and revenues and Expenses determined in accordance with generally accepted accounting principles follows:

|   |              |
|---|--------------|
| Net increase (decrease) to budgetary net position | \$ 2,252,005 |
|---|--------------|

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|   |              |
|---|--------------|
| Depreciation expense is a "GAAP" recognized expense and does not represent an actual outflow of resources in the budgetary appropriations.  | (3,255,947)  |
| Certain expenses representing long term liability and the related expense recognition in "GAAP" is not recognized as an actual outflow until resources are disbursed for the activity: Other Post Employment Benefits, Net Pension obligation, and Compensating Balances. | (182,332)    |
| The City budgets "appropriations from fund balance" as a resource/inflow but in GAAP statements it is not a revenue or inflow source for current year revenue recognition   | (47,577)     |
| The City budgets specific "Reserves" Expenses as a outflow but in GAAP statements it is not an expense: Reserve for Capital   | 137,347      |
| Certain revenue inflows are immediately recognized as reserves for certain future Capital Improvement Project and those inflows are appropriated when the project expense is adopted by City Council.   | 301,753      |
| Increase (decrease) in investment fair value changes are not considered a resource/inflow for budgetary recognition   | (47,552)     |
| Gain (loss) on disposal of assets represents "GAAP" non-cash transactions and are not reported in the budgetary basis schedule.   | (135,470)    |
| Outflows of resources for prepaid Expenses for budgetary purposes are immediately recognized as an outflow upon remittance of payment in budgetary basis. GAAP statements delay expense recognition until the period of coverage.   | 2,310        |
| Outflows of resources that represent debt service principal payments for budgetary purposes are recognized as expense in budget basis statements  | 686,788      |
| Certain debt service expenses representing amortization of premium, discount, or gain or loss on refunding are not recognized as an outflow of sources in the budgetary basis schedule.   | 1,649        |
| Special funded projects are appropriated through long range capital improvement budget in which segregated and specific funding is appropriated outside of the operating budget   | (707,114)    |
| Total "Net Change in Net Position from the Statement of Revenues, Expenses, and Changes in Net Position -- Proprietary Funds -- Utility Fund  | \$ (994,140) |

**J. Aquatic Park Fund Budget-to-Actual Reconciliation**

An explanation of the differences between budgetary inflows and outflows and revenues and Expenses determined in accordance with generally accepted accounting principles follows:

|   |            |
|---|------------|
| Net increase (decrease) to budgetary net position   | \$ (2,241) |
| Depreciation expense is a "GAAP" recognized expense and does not represent an actual outflow of resources in the budgetary appropriations.  | (775,037)  |
| Certain expenses representing long term liability and the related expense recognition in "GAAP" is not recognized as an actual outflow until resources are disbursed for the activity: Other Post Employment Benefits, Net Pension obligation, and Compensating Balances. | (16,144)   |
| The City budgets "appropriations from fund balance" as a resource/inflow but in GAAP statements it is not a revenue or inflow source for current year revenue recognition   | (306,811)  |
| Increase (decrease) in investment fair value changes are not considered a resource/inflow for budgetary recognition   | (13,910)   |
| Gain (loss) on disposal of assets represents "GAAP" non-cash transactions and are not reported in the budgetary basis schedule.   | (1,000)    |
| Outflows of resources for prepaid Expenses for budgetary purposes are immediately recognized as an outflow upon remittance of payment in budgetary basis. GAAP statements delay expense recognition until the period of coverage.   | 1,462      |

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|   |              |
|---|--------------|
| Outflows of resources that represent debt service principal payments for budgetary purposes are recognized as expense in budget basis statements  | 636,852      |
| Certain debt service expenses representing amortization of premium, discount, or gain or loss on refunding are not recognized as an outflow of sources in the budgetary basis schedule. | 14,679       |
| Special funded projects are appropriated through long range capital improvement budget in which segregated and specific funding is appropriated outside of the operating budget         | (276,510)    |
| Total "Net Change in Net Position from the Statement of Revenues, Expenses, and Changes in Net Position -- Proprietary Funds -- Aquatic Park  | \$ (738,660) |

**K. Golf Fund Budget-to-Actual Reconciliation**

An explanation of the differences between budgetary inflows and outflows and revenues and Expenses determined in accordance with generally accepted accounting principles follows:

|  |              |
|--|--------------|
| Net increase (decrease) to budgetary net position  | \$ -         |
| Depreciation expense is a "GAAP" recognized expense and does not represent an actual outflow of resources in the budgetary appropriations.   | (433,484)    |
| Outflows for advances given to other funds are not recognized as expense in GAAP statements; only recognized as reduction of an liability on balance sheet and not a transfer out  | 147,760      |
| The City budgets specific "Reserves" Expenses as a outflow but in GAAP statements it is not an expense: Reserve for Capital  | 32,720       |
| Increase (decrease) in investment fair value changes are not considered a resource/inflow for budgetary recognition  | (28,242)     |
| Outflows of resources representing expenses of prior year adjustment are recognized for budgetary purposes as reduction in reserves prior transferred. This amount represents audit adjustments that effect a prior period and prior budgetary period. | 61,662       |
| Outflows of resources that represent debt service principal payments for budgetary purposes are recognized as expense in budget basis statements   | 93,212       |
| Certain debt service expenses representing amortization of premium, discount, or gain or loss on refunding are not recognized as an outflow of sources in the budgetary basis schedule.  | (3,731)      |
| Total "Net Change in Net Position from the Statement of Revenues, Expenses, and Changes in Net Position -- Proprietary Funds -- Golf Fund  | \$ (130,103) |

**L. Facilities and Construction Fund Budget-to-Actual Reconciliation**

An explanation of the differences between budgetary inflows and outflows and revenues and Expenses determined in accordance with generally accepted accounting principles follows:

|   |            |
|---|------------|
| Net increase (decrease) to budgetary net position   | \$ 256,878 |
| Depreciation expense is a "GAAP" recognized expense and does not represent an actual outflow of resources in the budgetary appropriations.  | (42,996)   |
| Certain expenses representing long term liability and the related expense recognition in "GAAP" is not recognized as an actual outflow until resources are disbursed for the activity: Other Post Employment Benefits, Net Pension obligation, and Compensating Balances. | (37,030)   |
| Increase (decrease) in investment fair value changes are not considered a resource/inflow for budgetary recognition   | (20,621)   |
| The City budgets "appropriations from fund balance" as a resource/inflow but in GAAP statements it is not a revenue or inflow source for current year revenue recognition   | (40,000)   |

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|   |            |
|---|------------|
| The City budgets specific "Reserves" Expenses as a outflow but in GAAP statements it is not an expense: Reserve for Capital   | 148,510    |
| Special funded projects are appropriated through long range capital improvement budget in which segregated and specific funding is appropriated outside of the operating budget | (83,864)   |
| Total "Net Change in Net Position from the Combining Statement of Revenues, Expenses, and Changes in Net Position -- Internal Service Funds -- Facilities and Construction Fund | \$ 180,877 |

**M. Fleet Services Fund Budget-to-Actual Reconciliation**

An explanation of the differences between budgetary inflows and outflows and revenues and Expenses determined in accordance with generally accepted accounting principles follows:

|   |            |
|---|------------|
| Net increase (decrease) to budgetary net position   | \$ 201,135 |
| Depreciation expense is a "GAAP" recognized expense and does not represent an actual outflow of resources in the budgetary appropriations.  | (539,382)  |
| Certain expenses representing long term liability and the related expense recognition in "GAAP" is not recognized as an actual outflow until resources are disbursed for the activity: Other Post Employment Benefits, Net Pension obligation, and Compensating Balances. | (44,027)   |
| Increase (decrease) in investment fair value changes are not considered a resource/inflow for budgetary recognition   | (16,052)   |
| Gain (loss) on disposal of assets represents "GAAP" non-cash transactions and are not reported in the budgetary basis schedule  | (13,165)   |
| The City budgets "appropriations from fund balance" as a resource/inflow but in GAAP statements it is not a revenue or inflow source for current year revenue recognition   | (359,663)  |
| The City budgets specific "Reserves" Expenses as a outflow but in GAAP statements it is not an expense: Reserve for Capital   | 50,000     |
| Resources obtained for special funded projects are appropriated through long range capital improvement budget in which separate from the operating budget   | 904,001    |
| Capital assets expenses in the operating fund are updated as assets and not recognized as expenses on the "GAAP" operating schedules.   | 702,653    |
| Total "Net Change in Net Position from the Combining Statement of Revenues, Expenses, and Changes in Net Position -- Internal Service Funds -- Fleet Fund   | \$ 885,500 |

**N. Self Insurance Fund Budget-to-Actual Reconciliation**

An explanation of the differences between budgetary inflows and outflows and revenues and Expenses determined in accordance with generally accepted accounting principles follows:

|   |            |
|---|------------|
| Net increase (decrease) to budgetary net position   | \$ 114,460 |
| Certain expenses representing long term liability and the related expense recognition in "GAAP" is not recognized as an actual outflow until resources are disbursed for the activity: Other Post Employment Benefits, Net Pension obligation, and Compensating Balances. | (24,147)   |
| Increase (decrease) in investment fair value changes are not considered a resource/inflow for budgetary recognition   | (14,952)   |
| The City budgets "appropriations from fund balance" as a resource/inflow but in GAAP statements it is not a revenue or inflow source for current year revenue recognition   | (423,968)  |
| Outflows of resources for prepaid Expenses for budgetary purposes are immediately recognized as an outflow upon remittance of payment in budgetary basis. GAAP statements delay expense recognition until the period of coverage  | (7,332)    |

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|  |              |
|--|--------------|
| Total "Net Change in Net Position from the Combining Statement of Revenues, Expenses, and Changes in Net Position -- Internal Service Funds -- Self Insurance Fund | \$ (355,939) |
|--|--------------|

**O. Information Systems Fund Budget-to-Actual Reconciliation**

An explanation of the differences between budgetary inflows and outflows and revenues and Expenses determined in accordance with generally accepted accounting principles follows:

|   |             |
|---|-------------|
| Net increase (decrease) to budgetary net position   | \$ 335,183  |
| Depreciation expense is a "GAAP" recognized expense and does not represent an actual outflow of resources in the budgetary appropriations.  | (306,466)   |
| Certain expenses representing long term liability and the related expense recognition in "GAAP" is not recognized as an actual outflow until resources are disbursed for the activity: Other Post Employment Benefits, Net Pension obligation, and Compensating Balances. | (60,232)    |
| Capital assets expenses in the operating fund are updated as assets and not recognized as expenses on the "GAAP" operating schedules.   | 44,296      |
| Increase (decrease) in investment fair value changes are not considered a resource/inflow for budgetary recognition   | (3,315)     |
| Gain (loss) on disposal of assets represents "GAAP" non-cash transactions and are not reported in the budgetary basis schedule  | 1,150       |
| Outflows of resources for prepaid Expenses for budgetary purposes are immediately recognized as an outflow upon remittance of payment in budgetary basis. GAAP statements delay expense recognition until the period of coverage  | 19,728      |
| The City budgets "appropriations from fund balance" as a resource/inflow but in GAAP statements it is not a revenue or inflow source for current year revenue recognition   | (79,203)    |
| Outflows of resources for prepaid Expenses for budgetary purposes are immediately recognized as an outflow upon remittance of payment in budgetary basis. GAAP statements delay expense recognition until the period of coverage  | 1,610       |
| Total "Net Change in Net Position from the Combining Statement of Revenues, Expenses, and Changes in Net Position -- Internal Service Funds -- Information Systems Fund   | \$ (47,249) |

## **NON-MAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

The Promotional Fund accounts for the operations and expenditures for which hotel/motel occupancy taxes are used. Occupancy tax revenues are primarily to attract tourist and new businesses to the City.

The Donations Fund holds funds contributed (donated) to the City for special projects earmarked by requests or nonrecurring expenditures. It primarily collects and holds funds that are voluntarily given by the citizens via adding \$1.50 to their water utility billing which is then distributed to support the activities of the library and neighborhood services departments.

The Special Investigations Fund is mandated by state statute to account for various legal seizure and forfeiture deposits and expenditures.

The Drainage Utility Fund accounts for the establishment of drainage facilities within the municipal boundaries of the City and the subsequent billing and collection of fees so established.

The Crime Control and Prevention District Fund accounts for the accumulation and use of half-cent sales tax proceeds dedicated for crime prevention and reduction programs.

The Grants Fund is a centralized fund accounting for all private, local, state, and federal grant proceeds.

The Economic Development Fund accounts for the accumulation and expenditure of resources designed to stimulate the local economy through development and redevelopment.

The Traffic Safety Fund accounts for funds collected from various red-light traffic safety cameras. These resources assist with funding of various traffic safety projects.

Tax Increment Financing District #1 is to fund drainage improvements that would alleviate flooding problems, reduce property damage associated with the flooding, and stimulate development for the benefit of citizens within TIF #1.

### **DEBT SERVICE FUND**

The Sales Tax Revenue Debt Service Fund is used to accumulate monies for the payment of principal, interest, and related charges on sales tax revenue bonds.

The Tax Increment Financing Districts (TIF's) Debt Service Fund is used to accumulate monies for the payment of principal, interest, and related charges on the debts of Districts No. 1 and No. 2.

CITY OF NORTH RICHLAND HILLS, TEXAS  
Combining Balance Sheet  
Non-major Governmental Funds  
September 30, 2014

|   |                   |                   |                           |                     | Special                   |
|---|-------------------|-------------------|---------------------------|---------------------|---------------------------|
|   | Promotional       | Donations         | Special<br>Investigations | Drainage Utility    | Crime Control<br>District |
| <b>Assets</b>   |                   |                   |                           |                     |                           |
| Cash and cash equivalents                               | \$ 147,596        | \$ 195,414        | \$ 226,767                | \$ 475,132          | \$ -                      |
| Investments   | 286,998           | 394,616           | 442,402                   | 932,674             | -                         |
| Receivables, net of allowance                           |                   |                   |                           |                     |                           |
| Accounts  | -                 | -                 | -                         | 96,840              | -                         |
| Other taxes receivable                                  | 55,355            | -                 | -                         | -                   | 768,843                   |
| Interest receivable                                     | 149               | 204               | 223                       | 476                 | 29                        |
| Intergovernmental receivables                           | -                 | -                 | -                         | -                   | -                         |
| Prepaid items   | 963               | 391               | 122                       | -                   | 15,730                    |
| Restricted:   | -                 | -                 | -                         | -                   | -                         |
| Cash and cash equivalents                               | -                 | -                 | -                         | -                   | 595,225                   |
| Investments   | -                 | -                 | -                         | -                   | 268,114                   |
| Total assets  | <u>\$ 491,061</u> | <u>\$ 590,625</u> | <u>\$ 669,514</u>         | <u>\$ 1,505,122</u> | <u>\$ 1,647,941</u>       |
| <b>Liabilities</b>                                      |                   |                   |                           |                     |                           |
| Accounts payable  | -                 | 7,246             | -                         | -                   | 5,276                     |
| Accrued liabilities                                     | 2,469             | -                 | -                         | -                   | 85,749                    |
| Intergovernmental payables                              | -                 | -                 | -                         | -                   | -                         |
| Deposits and other liabilities                          | -                 | 9                 | -                         | -                   | -                         |
| Unearned revenue  | -                 | -                 | 633                       | -                   | -                         |
| Total liabilities                                       | <u>2,469</u>      | <u>7,255</u>      | <u>633</u>                | <u>-</u>            | <u>91,025</u>             |
| <b>Deferred Inflows of Resources</b>                    |                   |                   |                           |                     |                           |
| Unavailable revenue - grants                            | \$ -              | \$ -              | \$ -                      | \$ -                | \$ -                      |
| Total deferred inflows of resources                     | <u>-</u>          | <u>-</u>          | <u>-</u>                  | <u>-</u>            | <u>-</u>                  |
| <b>Fund Balance</b>                                     |                   |                   |                           |                     |                           |
| Nonspendables:  |                   |                   |                           |                     |                           |
| Prepays   | 963               | 391               | 122                       | -                   | 15,730                    |
| Restricted:   |                   |                   |                           |                     |                           |
| Crime control district                                  | -                 | -                 | -                         | -                   | 1,541,186                 |
| Debt service  | -                 | -                 | -                         | -                   | -                         |
| Grants  | -                 | -                 | -                         | -                   | -                         |
| Promotional & economic development                      | 487,629           | -                 | -                         | -                   | -                         |
| Public safety   | -                 | -                 | 638,685                   | -                   | -                         |
| Capital projects (bond funded)                          | -                 | -                 | -                         | -                   | -                         |
| Committed:  |                   |                   |                           |                     |                           |
| Donations   | -                 | 582,979           | -                         | -                   | -                         |
| Drainage utility  | -                 | -                 | -                         | 1,501,626           | -                         |
| Assigned:   |                   |                   |                           |                     |                           |
| Encumbrances  | -                 | -                 | 30,074                    | 3,496               | -                         |
| Total fund balance                                      | <u>488,592</u>    | <u>583,370</u>    | <u>668,881</u>            | <u>1,505,122</u>    | <u>1,556,916</u>          |
| Total liabilities, deferred inflows<br>and fund balance | <u>\$ 491,061</u> | <u>\$ 590,625</u> | <u>\$ 669,514</u>         | <u>\$ 1,505,122</u> | <u>\$ 1,647,941</u>       |

| Revenue           |                      |                   |                                   | Debt Service                    |                        |                              |
|-------------------|----------------------|-------------------|-----------------------------------|---------------------------------|------------------------|------------------------------|
| Grants            | Economic Development | Traffic Safety    | Tax Increment Finance District #1 | Tax Increment Finance Districts | Sales Tax Revenue Bond | Total Non-major Governmental |
| \$ 15,390         | \$ -                 | \$ 120,947        | \$ -                              | \$ -                            | \$ -                   | \$ 1,181,246                 |
| 35,937            | 540,163              | 239,073           | -                                 | -                               | -                      | 2,871,863                    |
| -                 | -                    | -                 | -                                 | -                               | -                      | 96,840                       |
| -                 | -                    | -                 | -                                 | -                               | -                      | 824,198                      |
| 26                | 1,211                | 113               | 36                                | 684                             | 123                    | 3,274                        |
| 131,763           | -                    | -                 | -                                 | -                               | -                      | 131,763                      |
| -                 | -                    | -                 | -                                 | 1,056                           | 248                    | 18,510                       |
| -                 | 267,512              | -                 | 2,495,721                         | 634,770                         | 122,395                | 4,115,623                    |
| -                 | -                    | -                 | 71,736                            | 1,333,270                       | 245,109                | 1,918,229                    |
| <u>\$ 183,116</u> | <u>\$ 808,886</u>    | <u>\$ 360,133</u> | <u>\$ 2,567,493</u>               | <u>\$ 1,969,780</u>             | <u>\$ 367,875</u>      | <u>\$ 11,161,546</u>         |
| 98,406            | -                    | 49,330            | 16,383                            | -                               | -                      | 176,641                      |
| -                 | -                    | 5,776             | -                                 | -                               | -                      | 93,994                       |
| -                 | -                    | 128,249           | -                                 | -                               | -                      | 128,249                      |
| -                 | -                    | -                 | -                                 | -                               | -                      | 9                            |
| -                 | -                    | -                 | -                                 | -                               | -                      | 633                          |
| <u>98,406</u>     | <u>-</u>             | <u>183,355</u>    | <u>16,383</u>                     | <u>-</u>                        | <u>-</u>               | <u>399,526</u>               |
| <u>\$ 20,796</u>  | <u>\$ -</u>          | <u>\$ -</u>       | <u>\$ -</u>                       | <u>\$ -</u>                     | <u>\$ -</u>            | <u>20,796</u>                |
| <u>20,796</u>     | <u>-</u>             | <u>-</u>          | <u>-</u>                          | <u>-</u>                        | <u>-</u>               | <u>20,796</u>                |
| -                 | -                    | -                 | -                                 | 1,056                           | 248                    | 18,510                       |
| -                 | -                    | -                 | -                                 | -                               | -                      | 1,541,186                    |
| -                 | -                    | -                 | -                                 | 1,968,724                       | 367,627                | 2,336,351                    |
| 63,914            | -                    | -                 | -                                 | -                               | -                      | 63,914                       |
| -                 | 808,886              | -                 | -                                 | -                               | -                      | 1,296,515                    |
| -                 | -                    | 176,778           | -                                 | -                               | -                      | 815,463                      |
| -                 | -                    | -                 | 2,551,110                         | -                               | -                      | 2,551,110                    |
| -                 | -                    | -                 | -                                 | -                               | -                      | 582,979                      |
| -                 | -                    | -                 | -                                 | -                               | -                      | 1,501,626                    |
| -                 | -                    | -                 | -                                 | -                               | -                      | 33,570                       |
| <u>63,914</u>     | <u>808,886</u>       | <u>176,778</u>    | <u>2,551,110</u>                  | <u>1,969,780</u>                | <u>367,875</u>         | <u>10,741,224</u>            |
| <u>\$ 183,116</u> | <u>\$ 808,886</u>    | <u>\$ 360,133</u> | <u>\$ 2,567,493</u>               | <u>\$ 1,969,780</u>             | <u>\$ 367,875</u>      | <u>\$ 11,161,546</u>         |

CITY OF NORTH RICHLAND HILLS, TEXAS  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance  
Non-major Governmental Funds  
Year Ended September 30, 2014

Special

|  | Promotional       | Donations         | Special<br>Investigations | Drainage Utility    | Crime Control<br>District |
|--|-------------------|-------------------|---------------------------|---------------------|---------------------------|
| <b>REVENUES</b>                                      |                   |                   |                           |                     |                           |
| Taxes  | \$ 206,930        | \$ -              | \$ -                      | \$ -                | \$ 4,593,643              |
| Charges for services                                 | -                 | -                 | -                         | 861,333             | -                         |
| Civil citations                                      | -                 | -                 | -                         | -                   | -                         |
| Contributions  | -                 | 187,382           | -                         | -                   | -                         |
| Investment income (loss)                             | 2,064             | 509               | 3,103                     | 8,555               | 2,101                     |
| Intergovernmental                                    | -                 | -                 | 191,612                   | -                   | -                         |
| Forfeitures  | -                 | -                 | 107,275                   | -                   | -                         |
| Miscellaneous  | -                 | 3                 | -                         | -                   | -                         |
| Total revenues                                       | <u>208,994</u>    | <u>187,894</u>    | <u>301,990</u>            | <u>869,888</u>      | <u>4,595,744</u>          |
| <b>EXPENDITURES</b>                                  |                   |                   |                           |                     |                           |
| General government                                   | 108,113           | 17,417            | -                         | 273                 | -                         |
| Public safety  | -                 | 17,111            | 84,049                    | -                   | 4,277,616                 |
| Culture and recreation                               | 79,591            | 63,199            | -                         | -                   | -                         |
| Public works   | -                 | -                 | -                         | 67,104              | -                         |
| Capital outlay:                                      |                   |                   |                           |                     |                           |
| General government                                   | -                 | -                 | -                         | -                   | -                         |
| Public safety  | -                 | -                 | 209,505                   | -                   | 1,795                     |
| Culture and recreation                               | 4,985             | -                 | -                         | -                   | -                         |
| Public works   | -                 | -                 | -                         | -                   | -                         |
| Debt service:  |                   |                   |                           |                     |                           |
| Principal retirement                                 | -                 | -                 | -                         | -                   | -                         |
| Interest and fiscal charges                          | -                 | -                 | -                         | -                   | -                         |
| Total expenditures                                   | <u>192,689</u>    | <u>97,727</u>     | <u>293,554</u>            | <u>67,377</u>       | <u>4,279,411</u>          |
| Excess (deficiency) of revenues<br>over expenditures | <u>16,305</u>     | <u>90,167</u>     | <u>8,436</u>              | <u>802,511</u>      | <u>316,333</u>            |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                   |                   |                           |                     |                           |
| Issuance of debt                                     | -                 | -                 | -                         | -                   | -                         |
| Proceeds from sale of assets                         | -                 | -                 | -                         | -                   | -                         |
| Transfer in  | -                 | 1,850             | 2,529                     | -                   | -                         |
| Transfers out  | -                 | (470,900)         | -                         | (581,441)           | -                         |
| Total other financing sources (uses)                 | <u>-</u>          | <u>(469,050)</u>  | <u>2,529</u>              | <u>(581,441)</u>    | <u>-</u>                  |
| Net change in fund balance                           | 16,305            | (378,883)         | 10,965                    | 221,070             | 316,333                   |
| Fund balance - beginning of year                     | 472,287           | 962,253           | 657,916                   | 1,284,052           | 1,240,583                 |
| Fund balance - end of the year                       | <u>\$ 488,592</u> | <u>\$ 583,370</u> | <u>\$ 668,881</u>         | <u>\$ 1,505,122</u> | <u>\$ 1,556,916</u>       |

| Revenue          |                      |                   |                                   | Debt Service                    |                         |                              |
|------------------|----------------------|-------------------|-----------------------------------|---------------------------------|-------------------------|------------------------------|
| Grants           | Economic Development | Traffic Safety    | Tax Increment Finance District #1 | Tax Increment Finance Districts | Sales Tax Revenue Bonds | Total Non-major Governmental |
| \$ -             | \$ -                 | \$ -              | \$ -                              | \$ 3,180,219                    | \$ -                    | \$ 7,980,792                 |
| -                | -                    | -                 | -                                 | -                               | -                       | 861,333                      |
| -                | -                    | 990,714           | -                                 | -                               | -                       | 990,714                      |
| -                | -                    | -                 | -                                 | -                               | -                       | 187,382                      |
| (14,220)         | (5,540)              | (1,491)           | (29,625)                          | 14,479                          | 2,216                   | (17,849)                     |
| 442,297          | -                    | -                 | -                                 | -                               | -                       | 633,909                      |
| -                | -                    | -                 | -                                 | -                               | -                       | 107,275                      |
| -                | -                    | -                 | -                                 | -                               | -                       | 3                            |
| <u>428,077</u>   | <u>(5,540)</u>       | <u>989,223</u>    | <u>(29,625)</u>                   | <u>3,194,698</u>                | <u>2,216</u>            | <u>10,743,559</u>            |
| 268,497          | -                    | -                 | -                                 | -                               | -                       | 394,300                      |
| 167,318          | -                    | 886,649           | -                                 | -                               | -                       | 5,432,743                    |
| 1,306            | -                    | -                 | -                                 | -                               | -                       | 144,096                      |
| -                | -                    | -                 | -                                 | -                               | -                       | 67,104                       |
| -                | 16,000               | -                 | -                                 | -                               | -                       | 16,000                       |
| -                | -                    | 15,000            | -                                 | -                               | -                       | 226,300                      |
| 7,884            | -                    | -                 | -                                 | -                               | -                       | 12,869                       |
| -                | -                    | -                 | 82,188                            | -                               | -                       | 82,188                       |
| -                | -                    | -                 | -                                 | 1,945,640                       | 105,000                 | 2,050,640                    |
| -                | -                    | -                 | -                                 | 875,453                         | 12,049                  | 887,502                      |
| <u>445,005</u>   | <u>16,000</u>        | <u>901,649</u>    | <u>82,188</u>                     | <u>2,821,093</u>                | <u>117,049</u>          | <u>9,313,742</u>             |
| <u>(16,928)</u>  | <u>(21,540)</u>      | <u>87,574</u>     | <u>(111,813)</u>                  | <u>373,605</u>                  | <u>(114,833)</u>        | <u>1,429,817</u>             |
| -                | -                    | -                 | 2,000,000                         | -                               | -                       | 2,000,000                    |
| 150              | -                    | -                 | -                                 | -                               | -                       | 150                          |
| -                | 112,836              | -                 | -                                 | 70,070                          | -                       | 187,285                      |
| -                | (3,747,477)          | (100,000)         | -                                 | -                               | -                       | (4,899,818)                  |
| <u>150</u>       | <u>(3,634,641)</u>   | <u>(100,000)</u>  | <u>2,000,000</u>                  | <u>70,070</u>                   | <u>-</u>                | <u>(2,712,383)</u>           |
| <u>(16,778)</u>  | <u>(3,656,181)</u>   | <u>(12,426)</u>   | <u>1,888,187</u>                  | <u>443,675</u>                  | <u>(114,833)</u>        | <u>(1,282,566)</u>           |
| <u>80,692</u>    | <u>4,465,067</u>     | <u>189,204</u>    | <u>662,923</u>                    | <u>1,526,105</u>                | <u>482,708</u>          | <u>12,023,790</u>            |
| <u>\$ 63,914</u> | <u>\$ 808,886</u>    | <u>\$ 176,778</u> | <u>\$ 2,551,110</u>               | <u>\$ 1,969,780</u>             | <u>\$ 367,875</u>       | <u>\$ 10,741,224</u>         |

CITY OF NORTH RICHLAND HILLS, TEXAS  
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual  
GENERAL DEBT SERVICE FUND  
Year Ended September 30, 2014

|   | Original     | Final        | Actual       | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|---|--------------|--------------|--------------|---|
| <b>REVENUES</b>                                 |              |              |              |   |
| Taxes:  |              |              |              |   |
| Property taxes (penalties & interest included)  | \$ 7,074,213 | \$ 7,074,213 | \$ 7,074,213 | \$ -  |
| Sub-total ad valorem taxes                      | 7,074,213    | 7,074,213    | 7,074,213    | -   |
| Transfers in:                                   |              |              |              |   |
| Drainage utility                                | 581,441      | 581,441      | 581,441      | -   |
| Parks & recreation facilities development corp. | 356,218      | 356,218      | 356,218      | -   |
| Fleet services fund                             | 393,134      | 393,134      | 393,134      | -   |
| Facilities services fund                        | 25,409       | 25,409       | 25,409       | -   |
| Gas development fund                            | 212,053      | 212,053      | 212,053      | -   |
| Sub-total transfers in                          | 1,568,255    | 1,568,255    | 1,568,255    | -   |
| Other:  |              |              |              |   |
| Refunding bond proceeds                         | -            | -            | 3,936,985    | 3,936,985   |
| Interest income                                 | 5,000        | 6,910        | 14,807       | 7,897   |
| City of Watauga, cip participation              | 82,853       | 82,853       | 82,853       | -   |
| Appropriation of fund balance                   | 889,402      | 994,243      | 994,243      | -   |
| Sub-total other                                 | 977,255      | 1,084,006    | 5,028,888    | 3,944,882   |
| Total revenues                                  | 9,619,723    | 9,726,474    | 13,671,356   | 3,944,882   |
| <b>EXPENDITURES</b>                             |              |              |              |   |
| Existing bonds & co's                           | 9,170,670    | 9,187,784    | 9,065,998    | 121,786   |
| Existing loans                                  | 212,053      | 316,690      | 316,690      | -   |
| Issuance costs/paying agent fees                | 237,000      | 222,000      | 185,614      | 36,386  |
| Bond defeasance/refunding                       | -            | -            | 3,936,985    | (3,936,985)   |
| Total expenditures                              | 9,619,723    | 9,726,474    | 13,505,287   | (3,778,813)   |
| Net Increase (Decrease)                         | \$ -         | \$ -         | \$ 166,069   | \$ 166,069  |

*Notes to required supplementary information are an integral part of this schedule.*

CITY OF NORTH RICHLAND HILLS, TEXAS  
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual  
PARKS AND RECREATION DEVELOPMENT CORPORATION FUND  
Year Ended September 30, 2014

|  | Original         | Final            | Actual           | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--|------------------|------------------|------------------|---|
| <b>REVENUES</b>                            |                  |                  |                  |   |
| Sales tax                                  | \$ 4,478,922     | \$ 4,513,458     | \$ 4,506,169     | \$ (7,289)  |
| Interest income                            | 11,379           | 7,522            | 16,754           | 9,232   |
| Youth assn. maintenance fees               | 50,250           | 63,000           | 70,183           | 7,183   |
| Tennis center revenue                      | 369,382          | 377,281          | 358,932          | (18,349)  |
| Transfer in from aquatic park fund         | 75,125           | 75,125           | 75,125           | -   |
| Park impact fees                           | 50,000           | 51,908           | 78,513           | 26,605  |
| Other income                               | 1,500            | 1,500            | 67,352           | 65,852  |
| <b>NRH Centre</b>                          |                  |                  |                  |   |
| Memberships/drop-in passes                 | 1,386,900        | 1,386,900        | 1,406,005        | 19,105  |
| Fitness                                    | 320,890          | 365,000          | 347,181          | (17,819)  |
| Recreation/sports                          | 262,340          | 246,963          | 247,142          | 179   |
| Grand hall rental                          | 160,000          | 160,000          | 149,737          | (10,263)  |
| Catering & event fees                      | 40,000           | 17,000           | 11,665           | (5,335)   |
| Aquatic programs                           | 70,000           | 180,000          | 182,826          | 2,826   |
| Pool rental                                | 3,500            | 3,500            | 4,239            | 739   |
| Gym rental                                 | 3,100            | 3,100            | 2,592            | (508)   |
| Concessions/merchandise                    | 19,000           | 25,000           | 28,112           | 3,112   |
| Special events                             | 10,000           | 10,000           | 8,635            | (1,365)   |
| Other                                      | 82,500           | 13,300           | 26,441           | 13,141  |
| General fund                               | 487,102          | 487,102          | 487,102          | -   |
| <b>Total revenues</b>                      | <b>7,881,890</b> | <b>7,987,659</b> | <b>8,074,705</b> | <b>87,046</b>   |
| <b>EXPENDITURES</b>                        |                  |                  |                  |   |
| <b>Operating</b>                           |                  |                  |                  |   |
| Park facilities development administration | 708,299          | 708,369          | 695,108          | 13,261  |
| Parks & public grounds                     | 1,949,935        | 1,949,149        | 1,831,093        | 118,056   |
| Tennis center operations                   | 614,702          | 615,572          | 538,224          | 77,348  |
| <b>Sub-total operating</b>                 | <b>3,272,936</b> | <b>3,273,090</b> | <b>3,064,425</b> | <b>208,665</b>  |
| <b>NRH Centre</b>                          |                  |                  |                  |   |
| Center management                          | 648,918          | 652,096          | 631,316          | 20,780  |
| Fitness                                    | 329,817          | 329,817          | 323,072          | 6,745   |
| Building operations                        | 192,168          | 192,346          | 184,078          | 8,268   |
| Aquatic                                    | 515,377          | 515,734          | 520,878          | (5,144)   |
| Recreation sports                          | 336,788          | 336,788          | 284,362          | 52,426  |
| Event center                               | 256,206          | 236,563          | 196,329          | 40,234  |
| Building services                          | 331,300          | 331,300          | 331,300          | -   |
| <b>Sub-total NRH Centre</b>                | <b>2,610,574</b> | <b>2,594,644</b> | <b>2,471,335</b> | <b>123,309</b>  |
| <b>Other &amp; Reserves</b>                |                  |                  |                  |   |
| Debt service - CO's                        | 356,218          | 356,218          | 356,218          | -   |
| Indirect costs                             | 386,017          | 386,017          | 386,017          | -   |
| Non-department                             | 24,110           | 36,826           | 37,354           | (528)   |
| Reserve for capital                        | 885,304          | 924,807          | 1,255,521        | (330,714)   |
| Reserve for economic development           | 111,973          | 112,836          | 112,836          | -   |
| Reserve for NRH Centre                     | 234,758          | 303,221          | 390,999          | (87,778)  |
| <b>Total other &amp; reserves</b>          | <b>1,998,380</b> | <b>2,119,925</b> | <b>2,538,945</b> | <b>(419,020)</b>  |
| <b>Total expenditures</b>                  | <b>7,881,890</b> | <b>7,987,659</b> | <b>8,074,705</b> | <b>(87,046)</b>   |
| <b>Net Increase (Decrease)</b>             | <b>\$ -</b>      | <b>\$ -</b>      | <b>\$ -</b>      | <b>\$ -</b>   |

Notes to required supplementary information are an integral part of this schedule.

CITY OF NORTH RICHLAND HILLS, TEXAS  
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual  
PROMOTIONAL FUND  
Year Ended September 30, 2014

|                        | Original       | Final          | Actual           | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|------------------------|----------------|----------------|------------------|---|
| <b>REVENUES</b>        |                |                |                  |   |
| Occupancy tax proceeds | \$ 210,000     | \$ 205,000     | \$ 206,930       | \$ 1,930  |
| Interest revenue       | 1,175          | 4,356          | 2,737            | (1,619)   |
| Total revenues         | <u>211,175</u> | <u>209,356</u> | <u>209,667</u>   | <u>311</u>  |
| <b>EXPENDITURES</b>    |                |                |                  |   |
| Economic development   | 110,497        | 113,497        | 108,822          | 4,675   |
| Culture & leisure      | 100,424        | 95,246         | 84,576           | 10,670  |
| Non-departmental       | 254            | 254            | 254              | -   |
| Total expenditures     | <u>211,175</u> | <u>208,997</u> | <u>193,652</u>   | <u>15,345</u>   |
| Net Increase           | <u>\$ -</u>    | <u>\$ 359</u>  | <u>\$ 16,015</u> | <u>\$ 15,656</u>  |

*Notes to required supplementary information are an integral part of this schedule.*

CITY OF NORTH RICHLAND HILLS, TEXAS  
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual  
DONATIONS FUND  
Year Ended September 30, 2014

|                                | Original         | Final            | Actual           | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--------------------------------|------------------|------------------|------------------|---|
| <b>REVENUES</b>                |                  |                  |                  |   |
| Contributions                  |                  |                  |                  |   |
| NRH water bills                | \$ 69,204        | \$ 55,428        | \$ 61,598        | \$ 6,170  |
| Shelter fund                   | 5,600            | 46,150           | 54,646           | 8,496   |
| Sub-total contributions        | <u>74,804</u>    | <u>101,578</u>   | <u>116,244</u>   | <u>14,666</u>   |
| Donations                      |                  |                  |                  |   |
| Spay/neuter                    | 15,000           | 10,984           | 6,609            | (4,375)   |
| Duncan                         | 15,000           | 15,000           | 15,000           | -   |
| Santa cops                     | 4,000            | 4,394            | 4,394            | -   |
| Sub-total donations            | <u>34,000</u>    | <u>30,378</u>    | <u>26,003</u>    | <u>(4,375)</u>  |
| Proceeds                       |                  |                  |                  |   |
| Library book sales             | 10,500           | 10,500           | 11,425           | 925   |
| Sub-total proceeds             | <u>10,500</u>    | <u>10,500</u>    | <u>11,425</u>    | <u>925</u>  |
| Other                          |                  |                  |                  |   |
| Interest revenue               | 3,421            | 2,417            | 4,242            | 1,825   |
| Other income                   | 38,900           | 48,575           | 35,563           | (13,012)  |
| Appropriation of fund balance: |                  |                  |                  |   |
| Neighborhood services          | -                | 452,000          | 452,000          | -   |
| Sub-total other                | <u>42,321</u>    | <u>502,992</u>   | <u>491,805</u>   | <u>(11,187)</u>   |
| Total revenues                 | <u>161,625</u>   | <u>645,448</u>   | <u>645,477</u>   | <u>29</u>   |
| <b>EXPENDITURES</b>            |                  |                  |                  |   |
| Library - book collections     | 58,865           | 58,865           | 34,034           | 24,831  |
| Neighborhood services          |                  |                  |                  |   |
| Animal services                | 25,310           | 25,310           | 24,477           | 833   |
| Keep nrh beautiful             | 14,999           | 14,999           | 9,168            | 5,831   |
| Municipal court - teen court   | 1,000            | 4,250            | 4,250            | -   |
| Parks special events and arts  | 26,000           | 33,396           | 9,078            | 24,318  |
| Police department              | 14,140           | 18,866           | 17,111           | 1,755   |
| Transfer to capital projects   | -                | 452,000          | 470,900          | (18,900)  |
| Total expenditures             | <u>140,314</u>   | <u>607,686</u>   | <u>569,018</u>   | <u>57,568</u>   |
| Net Increase                   | <u>\$ 21,311</u> | <u>\$ 37,762</u> | <u>\$ 76,459</u> | <u>\$ 57,597</u>  |

*Notes to required supplementary information are an integral part of this schedule.*

CITY OF NORTH RICHLAND HILLS, TEXAS  
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual  
SPECIAL INVESTIGATIONS FUND  
Year Ended September 30, 2014

|  | Original       | Final          | Actual           | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--|----------------|----------------|------------------|---|
| <b>REVENUES</b>                                    |                |                |                  |   |
| Forfeited funds                                    | \$ 136,000     | \$ 136,000     | \$ 107,275       | \$ (28,725)   |
| AFIS reimbursements                                | 10,800         | 12,900         | 12,759           | (141)   |
| 911 telecom  | 65,000         | 178,675        | 178,853          | 178   |
| Interest income                                    | 1,674          | 2,067          | 3,885            | 1,818   |
| Other income                                       | -              | -              | 2,529            | 2,529   |
| Appropriations of fund balance                     | 249,595        | 345,923        | 345,923          | -   |
| Total revenues                                     | <u>463,069</u> | <u>675,565</u> | <u>651,224</u>   | <u>(24,341)</u>   |
| <b>EXPENDITURES</b>                                |                |                |                  |   |
| Federal forfeited funds                            | 240,000        | 160,000        | 75,876           | 84,124  |
| State forfeited funds                              | 57,000         | 36,000         | 21,564           | 14,436  |
| Local forfeited funds                              | 3,000          | 3,000          | 3,000            | -   |
| AFIS maintenance & equipment                       | 98,069         | 23,069         | 14,145           | 8,924   |
| 911 telecom  | 65,000         | 123,686        | 178,204          | (54,518)  |
| LEOSE contributions                                | -              | -              | 886              | (886)   |
| Reserve for city hall project:                     |                |                |                  |   |
| 911 telecom  | -              | 54,810         | 54,810           | -   |
| Automated fingerprint identification system (AFIS) | -              | 75,000         | 75,000           | -   |
| Reserves   | -              | 200,000        | 200,000          | -   |
| Total expenditures                                 | <u>463,069</u> | <u>675,565</u> | <u>623,485</u>   | <u>52,080</u>   |
| Net Increase                                       | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 27,739</u> | <u>\$ 27,739</u>  |

*Notes to required supplementary information are an integral part of this schedule.*

CITY OF NORTH RICHLAND HILLS, TEXAS  
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual  
DRAINAGE UTILITY FUND  
Year Ended September 30, 2014

|                              | Original          | Final             | Actual            | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|------------------------------|-------------------|-------------------|-------------------|---|
| REVENUES                     |                   |                   |                   |   |
| Drainage fees                | \$ 849,000        | \$ 858,000        | \$ 861,332        | \$ 3,332  |
| Interest income              | 3,855             | 3,825             | 8,751             | 4,926   |
| Total revenues               | <u>852,855</u>    | <u>861,825</u>    | <u>870,083</u>    | <u>8,258</u>  |
| EXPENDITURES                 |                   |                   |                   |   |
| Debt service (transfers out) | 581,441           | 581,441           | 581,441           | -   |
| Other expenditures           | 77,796            | 77,796            | 67,377            | 10,419  |
| Total expenditures           | <u>659,237</u>    | <u>659,237</u>    | <u>648,818</u>    | <u>10,419</u>   |
| Net Increase                 | <u>\$ 193,618</u> | <u>\$ 202,588</u> | <u>\$ 221,265</u> | <u>\$ 18,677</u>  |

*Notes to required supplementary information are an integral part of this schedule.*

CITY OF NORTH RICHLAND HILLS, TEXAS  
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual  
CRIME CONTROL DISTRICT  
Year Ended September 30, 2014

|                         | Original         | Final            | Actual            | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|-------------------------|------------------|------------------|-------------------|---|
| <b>REVENUES</b>         |                  |                  |                   |   |
| Sales tax               | \$ 4,478,922     | \$ 4,505,995     | \$ 4,491,735      | \$ (14,260)   |
| Franchise tax           | 81,250           | 81,250           | 101,908           | 20,658  |
| Interest income         | 5,973            | 2,135            | 1,426             | (709)   |
| Total revenues          | <u>4,566,145</u> | <u>4,589,380</u> | <u>4,595,069</u>  | <u>5,689</u>  |
| <b>EXPENDITURES</b>     |                  |                  |                   |   |
| Operating               |                  |                  |                   |   |
| Administrative services | 594,594          | 607,605          | 564,656           | 42,949  |
| Investigations          | 456,397          | 456,754          | 379,865           | 76,889  |
| Uniform patrol          | 2,709,095        | 2,707,711        | 2,626,202         | 81,509  |
| Technical services      | 503,820          | 503,998          | 498,409           | 5,589   |
| Property Evidence       | 104,744          | 104,922          | 102,439           | 2,483   |
| Sub-total operating     | <u>4,368,650</u> | <u>4,380,990</u> | <u>4,171,571</u>  | <u>209,419</u>  |
| Other & Reserves        |                  |                  |                   |   |
| Partner agency funding  | 51,505           | 51,505           | 46,360            | 5,145   |
| Other                   | 76,604           | 76,604           | 76,604            | -   |
| Investigations          | 69,386           | 80,281           | 80,281            | -   |
| Total other & reserves  | <u>197,495</u>   | <u>208,390</u>   | <u>203,245</u>    | <u>5,145</u>  |
| Total expenditures      | <u>4,566,145</u> | <u>4,589,380</u> | <u>4,374,816</u>  | <u>214,564</u>  |
| Net Increase (Decrease) | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ 220,253</u> | <u>\$ 220,253</u>   |

*Notes to required supplementary information are an integral part of this schedule.*

CITY OF NORTH RICHLAND HILLS, TEXAS  
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual  
GAS DEVELOPMENT FUND  
Year Ended September 30, 2014

|                                     | Original   | Final        | Actual     | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|-------------------------------------|------------|--------------|------------|---|
| <b>REVENUES</b>                     |            |              |            |   |
| Bonuses                             |            |              |            |   |
| General fund purposes               | \$ -       | \$ 107,331   | \$ 110,423 | \$ 3,092  |
| Sub-total bonuses                   | -          | 107,331      | 110,423    | 3,092   |
| Royalties/overrides                 |            |              |            |   |
| General fund purposes               | 655,650    | 1,057,376    | 1,187,340  | 129,964   |
| Sub-total royalties / overrides     | 655,650    | 1,057,376    | 1,187,340  | 129,964   |
| Other                               |            |              |            |   |
| Interest income                     | 19,612     | 35,858       | 22,693     | (13,165)  |
| Sub-total other                     | 19,612     | 35,858       | 22,693     | (13,165)  |
| Appropriation of reserves           |            |              |            |   |
| General fund purposes               | 212,053    | 4,026,390    | 3,226,239  | (800,151)   |
| Sub-total appropriation of reserves | 212,053    | 4,026,390    | 3,226,239  | (800,151)   |
| Total revenues                      | 887,315    | 5,226,955    | 4,546,695  | (680,260)   |
| <b>EXPENDITURES</b>                 |            |              |            |   |
| Operating                           |            |              |            |   |
| Transfer to debt service            | 212,053    | 212,053      | 212,053    | -   |
| Transfer to capital projects        | -          | 3,814,337    | 3,814,337  | -   |
| Total expenditures                  | 212,053    | 4,026,390    | 4,026,390  | -   |
| Net Increase                        | \$ 675,262 | \$ 1,200,565 | \$ 520,305 | \$ (680,260)  |

*Notes to required supplementary information are an integral part of this schedule.*

CITY OF NORTH RICHLAND HILLS, TEXAS  
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual  
TRAFFIC SAFETY FUND  
Year Ended September 30, 2014

|                                | Original         | Final            | Actual            | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--------------------------------|------------------|------------------|-------------------|---|
| <b>REVENUES</b>                |                  |                  |                   |   |
| Gross fine revenue             | \$ 894,000       | \$ 894,000       | \$ 990,714        | \$ 96,714   |
| Interest income                | 987              | 1,865            | 1,389             | (476)   |
| Appropriations of fund balance | -                | 125,000          | 125,000           | -   |
| Sub-total                      | <u>894,987</u>   | <u>1,020,865</u> | <u>1,117,103</u>  | <u>96,238</u>   |
| <b>EXPENDITURES</b>            |                  |                  |                   |   |
| Contractor Payments            | 612,000          | 612,000          | 571,100           | 40,900  |
| Program Administration         | 193,234          | 186,984          | 163,993           | 22,991  |
| Payment to State               | 44,338           | 47,508           | 128,249           | (80,741)  |
| Traffic Enforcement            | 6,500            | 25,000           | 23,690            | 1,310   |
| Pedestrian Safety              | 13,780           | 13,780           | 14,617            | (837)   |
| Transfer to Capital Projects   | -                | 100,000          | 100,000           | -   |
| Total expenditures             | <u>869,852</u>   | <u>985,272</u>   | <u>1,001,649</u>  | <u>(16,377)</u>   |
| Net increase                   | <u>\$ 25,135</u> | <u>\$ 35,593</u> | <u>\$ 115,454</u> | <u>\$ 112,615</u>   |

*Notes to required supplementary information are an integral part of this schedule.*

### **INTERNAL SERVICE FUNDS**

Facilities and Construction Services Fund – To account for building maintenance and repair services provided to numerous departments located at various sites throughout the City. Facilities and Construction Services Fund operations are financed by charges to user departments.

Fleet Services Fund – To account for the maintenance, repair service, and replacement of vehicles and equipment provided to numerous departments responsible for the operation of City vehicles and equipment. Fleet Services Fund operations are financed by charges to user departments.

Self-Insurance Fund – To account for the payment of substantially all claims except for fire insurance coverage and employee life insurance coverage. Self-Insurance Fund operations are financed by charges to user departments and employee contributions.

Information Services Fund – To account for the acquisition, maintenance, and support of computer and telephone hardware and software. Information Services Fund operations are financed by charges to user departments.

## CITY OF NORTH RICHLAND HILLS, TEXAS

## Combining Statement of Net Position

## INTERNAL SERVICE

September 30, 2014

|   | Facilities and<br>Construction | Fleet Services      | Self Insurance      | Information<br>Services | Total Internal<br>Service |
|---|--------------------------------|---------------------|---------------------|-------------------------|---------------------------|
| <b>ASSETS</b>                             |                                |                     |                     |                         |                           |
| Current                                   |                                |                     |                     |                         |                           |
| Cash and cash equivalents                 | \$ 629,185                     | \$ 570,840          | \$ -                | \$ 760,255              | \$ 1,960,280              |
| Investments                               | 1,255,748                      | 1,405,839           | 4,747,121           | 1,590,310               | 8,999,018                 |
| Accounts receivable, net of allowance:    |                                |                     |                     |                         |                           |
| Other                                     | 9,529                          | 18,315              | -                   | 19,456                  | 47,300                    |
| Interest receivable                       | 2,114                          | 2,587               | 7,698               | 2,566                   | 14,965                    |
| Prepaid items                             | 4,368                          | -                   | 215,073             | 165,708                 | 385,149                   |
| Inventories, at cost                      | 36,709                         | 89,734              | -                   | -                       | 126,443                   |
| Total current assets                      | <u>1,937,653</u>               | <u>2,087,315</u>    | <u>4,969,892</u>    | <u>2,538,295</u>        | <u>11,533,155</u>         |
| Noncurrent                                |                                |                     |                     |                         |                           |
| Restricted assets:                        |                                |                     |                     |                         |                           |
| Cash and cash equivalents                 | 3,377                          | 98,790              | 2,444,197           | 45,474                  | 2,591,838                 |
| Capital assets, at cost:                  |                                |                     |                     |                         |                           |
| Building and improvements                 | 135,455                        | -                   | -                   | -                       | 135,455                   |
| Other improvements                        | 417,313                        | -                   | -                   | 602,769                 | 1,020,082                 |
| Machinery and equipment                   | -                              | 6,535,644           | 17,312              | 2,536,764               | 9,089,720                 |
| Accumulated depreciation                  | (312,078)                      | (3,949,110)         | (17,312)            | (1,852,446)             | (6,130,946)               |
| Net capital assets                        | <u>240,690</u>                 | <u>2,586,534</u>    | <u>-</u>            | <u>1,287,087</u>        | <u>4,114,311</u>          |
| Total noncurrent assets                   | <u>244,067</u>                 | <u>2,685,324</u>    | <u>2,444,197</u>    | <u>1,332,561</u>        | <u>6,706,149</u>          |
| Total assets                              | <u>2,181,720</u>               | <u>4,772,639</u>    | <u>7,414,089</u>    | <u>3,870,856</u>        | <u>18,239,304</u>         |
| <b>LIABILITIES</b>                        |                                |                     |                     |                         |                           |
| Current                                   |                                |                     |                     |                         |                           |
| Accounts payable and accrued expenses     | 102,630                        | 71,445              | 1,029,537           | 55,756                  | 1,259,368                 |
| Other current liabilities                 | 277                            | 40                  | 17,369              | -                       | 17,686                    |
| Compensated absences                      | 4,976                          | 4,999               | 2,190               | 5,199                   | 17,364                    |
| Total current liabilities                 | <u>107,883</u>                 | <u>76,484</u>       | <u>1,049,096</u>    | <u>60,955</u>           | <u>1,294,418</u>          |
| Noncurrent                                |                                |                     |                     |                         |                           |
| Compensated absences                      | 46,318                         | 85,788              | 33,856              | 66,783                  | 232,745                   |
| Other post employment benefits obligation | 190,568                        | 217,269             | 110,492             | 222,450                 | 740,779                   |
| Net pension obligation                    | 80,227                         | 93,143              | 51,195              | 93,665                  | 318,230                   |
| Total noncurrent liabilities              | <u>317,113</u>                 | <u>396,200</u>      | <u>195,543</u>      | <u>382,898</u>          | <u>1,291,754</u>          |
| Total liabilities                         | <u>424,996</u>                 | <u>472,684</u>      | <u>1,244,639</u>    | <u>443,853</u>          | <u>2,586,172</u>          |
| <b>NET POSITION</b>                       |                                |                     |                     |                         |                           |
| Net investment in capital assets          | 240,690                        | 2,594,377           | -                   | 1,287,088               | 4,122,155                 |
| Unrestricted                              | 1,516,034                      | 1,705,578           | 6,169,450           | 2,139,915               | 11,530,977                |
| Total net position                        | <u>\$ 1,756,724</u>            | <u>\$ 4,299,955</u> | <u>\$ 6,169,450</u> | <u>\$ 3,427,003</u>     | <u>\$ 15,653,132</u>      |

CITY OF NORTH RICHLAND HILLS, TEXAS  
Combining Statement of Revenues, Expenses, and Changes in Net Position  
INTERNAL SERVICE  
Year Ended September 30, 2014

|   | Facilities and<br>Construction | Fleet<br>Services   | Self<br>Insurance   | Information<br>Systems | Total Internal<br>Service |
|---|--------------------------------|---------------------|---------------------|------------------------|---------------------------|
| <b>OPERATING REVENUES</b>               |                                |                     |                     |                        |                           |
| Other intergovernmental                 | \$ -                           | \$ -                | \$ -                | \$ 14,902              | \$ 14,902                 |
| Internal service revenues               |                                |                     |                     |                        |                           |
| Risk management                         | -                              | -                   | 9,599,854           | -                      | 9,599,854                 |
| Facilities and fleet management         | 2,530,218                      | 3,269,133           | -                   | -                      | 5,799,351                 |
| Information systems management          | -                              | -                   | -                   | 2,587,486              | 2,587,486                 |
| Miscellaneous revenues                  | 83,973                         | 51,562              | 99,497              | 155,269                | 390,301                   |
| Total operating revenues                | <u>2,614,191</u>               | <u>3,320,695</u>    | <u>9,699,351</u>    | <u>2,757,657</u>       | <u>18,391,894</u>         |
| <b>OPERATING EXPENSES</b>               |                                |                     |                     |                        |                           |
| Claims                                  | -                              | -                   | 9,103,083           | -                      | 9,103,083                 |
| Contractual services                    | 869,923                        | 91,413              | 461,281             | 370,021                | 1,792,638                 |
| Personnel services                      | 1,062,002                      | 1,025,749           | 514,606             | 1,130,009              | 3,732,366                 |
| Repairs and maintenance                 | 369,032                        | 202,832             | 4,212               | 1,043,278              | 1,619,354                 |
| Supplies                                | 50,406                         | 1,176,193           | 3,597               | 224,372                | 1,454,568                 |
| Depreciation                            | 42,996                         | 539,382             | -                   | 306,466                | 888,844                   |
| Total operating expenses                | <u>2,394,359</u>               | <u>3,035,569</u>    | <u>10,086,779</u>   | <u>3,074,146</u>       | <u>18,590,853</u>         |
| Operating income (loss)                 | <u>219,832</u>                 | <u>285,126</u>      | <u>(387,428)</u>    | <u>(316,489)</u>       | <u>(198,959)</u>          |
| <b>NONOPERATING REVENUES (EXPENSES)</b> |                                |                     |                     |                        |                           |
| Investment income (loss)                | (13,571)                       | 1,205               | 31,489              | 11,179                 | 30,302                    |
| Gain (loss) on disposal of assets       | 25                             | 38,302              | -                   | 4,251                  | 42,578                    |
| Total nonoperating revenues (expenses)  | <u>(13,546)</u>                | <u>39,507</u>       | <u>31,489</u>       | <u>15,430</u>          | <u>72,880</u>             |
| Income (loss) before transfers          | <u>206,286</u>                 | <u>324,633</u>      | <u>(355,939)</u>    | <u>(301,059)</u>       | <u>(126,079)</u>          |
| <b>TRANSFERS</b>                        |                                |                     |                     |                        |                           |
| Transfers in                            | -                              | 954,001             | -                   | 253,810                | 1,207,811                 |
| Transfers out                           | (25,409)                       | (393,134)           | -                   | -                      | (418,543)                 |
| Total transfers - net                   | <u>(25,409)</u>                | <u>560,867</u>      | <u>-</u>            | <u>253,810</u>         | <u>789,268</u>            |
| Change in net position                  | 180,877                        | 885,500             | (355,939)           | (47,249)               | 663,189                   |
| Net position - beginning of year        | 1,575,847                      | 3,414,455           | 6,525,389           | 3,474,252              | 14,989,943                |
| Net position - end of year              | <u>\$ 1,756,724</u>            | <u>\$ 4,299,955</u> | <u>\$ 6,169,450</u> | <u>\$ 3,427,003</u>    | <u>\$ 15,653,132</u>      |

CITY OF NORTH RICHLAND HILLS, TEXAS

Combining Statement of Cash Flows

INTERNAL SERVICE FUNDS

Year Ended September 30, 2014

|   | Facilities and<br>Construction<br>Services | Fleet Services | Self Insurance | Information<br>Services | Totals        |
|---|--|----------------|----------------|-------------------------|---------------|
| Cash flows from operating activities:   |  |                |                |                         |               |
| Receipts from interfund services provided   | \$ 2,530,218                               | \$ 3,269,133   | \$ 9,599,854   | \$ 2,587,486            | \$ 17,986,691 |
| Other operating revenue (expense)   | 74,701                                     | 33,587         | 99,543         | 164,556                 | 372,387       |
| Payments to suppliers   | (1,500,822)                                | (1,446,875)    | (9,626,212)    | (1,633,963)             | (14,207,872)  |
| Payments to employees   | (1,019,758)                                | (978,062)      | (488,755)      | (1,058,821)             | (3,545,396)   |
| Net cash provided by (used for) operating activities  | 84,339                                     | 877,783        | (415,570)      | 59,258                  | 605,810       |
| Cash flows from noncapital financing activities:  |  |                |                |                         |               |
| Transfers from other funds  | -  | 954,001        | -              | 253,810                 | 1,207,811     |
| Transfers to other funds  | (25,409)                                   | (393,134)      | -              | -                       | (418,543)     |
| Net cash provided by (used for) noncapital and related financing activities                               | (25,409)                                   | 560,867        | -              | 253,810                 | 789,268       |
| Cash flows from capital and related financing activities:   |  |                |                |                         |               |
| Acquisition and construction of capital assets  | (13,571)                                   | (1,559,727)    | -              | (106,597)               | (1,679,895)   |
| Proceeds from sale of capital assets  | 25   | 38,302         | -              | 4,251                   | 42,578        |
| Net cash provided by (used for) capital and related financing activities                                  | (13,546)                                   | (1,521,425)    | -              | (102,346)               | (1,637,317)   |
| Cash flows from investing activities:   |  |                |                |                         |               |
| Purchase of Investments   | (841,995)                                  | (942,233)      | (3,183,543)    | (1,091,454)             | (6,059,225)   |
| Proceeds from the sale of investments   | 961,985                                    | 1,595,848      | 3,701,425      | 1,128,543               | 7,387,801     |
| Interest and dividends received   | 4,407                                      | 3,784          | 33,524         | 11,573                  | 53,288        |
| Net cash provided by investing activities   | 124,397                                    | 657,399        | 551,406        | 48,662                  | 1,381,864     |
| Net increase (decrease) in cash and cash equivalents  | 169,781                                    | 574,624        | 135,836        | 259,384                 | 1,139,625     |
| Cash and cash equivalents beginning of year   | 462,781                                    | 95,006         | 2,308,361      | 546,345                 | 3,412,493     |
| Cash and cash equivalents end of year   | \$ 632,562                                 | \$ 669,630     | \$ 2,444,197   | \$ 805,729              | \$ 4,552,118  |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:        |  |                |                |                         |               |
| Operating income (loss)   | \$ 219,832                                 | \$ 285,126     | \$ (387,428)   | \$ (316,489)            | \$ (198,959)  |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: |  |                |                |                         |               |
| Depreciation expense  | 42,996                                     | 539,382        | -              | 306,466                 | 888,844       |
| Other expense   | -  | -              | (7,807)        | (5,513)                 | (13,320)      |
| (Increase) decrease in accounts receivable  | (9,272)                                    | (17,975)       | 46             | (3,301)                 | (30,502)      |
| (Increase) decrease in inventories  | (12,972)                                   | 129            | -              | -                       | (12,843)      |
| (Increase) decrease in prepaid items  | (4,304)                                    | -              | 10,092         | 35,795                  | 41,583        |
| Increase (decrease) in compensating absences  | (7,372)                                    | (2,353)        | 1,067          | 14,090                  | 5,432         |
| Increase (decrease) in other post employment benefits   | 43,203                                     | 45,128         | 22,457         | 50,262                  | 161,050       |
| Increase (decrease) in net pension obligation   | 1,198                                      | 1,252          | 622            | 1,393                   | 4,465         |
| Increase (decrease) in unearned revenues  | -  | -              | -              | (2,314)                 | (2,314)       |
| Increase (decrease) in accounts payable   | (194,185)                                  | 23,434         | (56,324)       | (26,574)                | (253,649)     |
| Increase (decrease) in accrued liabilities  | 5,215                                      | 3,660          | 1,705          | 5,443                   | 16,023        |
| Total adjustments   | (135,493)                                  | 592,657        | (28,142)       | 375,747                 | 804,769       |
| Net cash provided by (used for) operating activities  | \$ 84,339                                  | \$ 877,783     | \$ (415,570)   | \$ 59,258               | \$ 605,810    |

PROPRIETARY FUNDS OTHER SUPPLEMENTARY  
INFORMATION

CITY OF NORTH RICHLAND HILLS, TEXAS  
Schedule of Revenues, Expenses, and Changes in Net Position - Budget (Non-GAAP Basis) and Actual  
UTILITY FUND  
Year Ended September 30, 2014

|                                      | Original             | Final                | Actual               | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--------------------------------------|----------------------|----------------------|----------------------|---|
| <b>REVENUES</b>                      |                      |                      |                      |   |
| <b>Water sales and charges</b>       |                      |                      |                      |   |
| Water sales                          | \$ 19,769,714        | \$ 19,863,744        | \$ 18,944,136        | \$ (919,608)  |
| Water taps                           | 41,521               | 20,000               | 22,830               | 2,830   |
| Water inspection fees                | 16,000               | 16,000               | 27,216               | 11,216  |
| Sub-total                            | <u>19,827,235</u>    | <u>19,899,744</u>    | <u>18,994,182</u>    | <u>(905,562)</u>  |
| <b>Sewer sales and charges</b>       |                      |                      |                      |   |
| Sewer sales                          | 9,917,647            | 9,942,774            | 10,195,936           | 253,162   |
| Sewer taps                           | 13,100               | 8,500                | 7,650                | (850)   |
| Sewer inspection fees                | 10,000               | 13,500               | 25,364               | 11,864  |
| Sub-total                            | <u>9,940,747</u>     | <u>9,964,774</u>     | <u>10,228,950</u>    | <u>264,176</u>  |
| <b>Miscellaneous</b>                 |                      |                      |                      |   |
| Interest income                      | 89,237               | 52,678               | 89,717               | 37,039  |
| Service charges                      | 95,700               | 106,600              | 97,646               | (8,954)   |
| Late charges                         | 497,000              | 491,000              | 456,298              | (34,702)  |
| Miscellaneous                        | 16,550               | 42,290               | 326,554              | 284,264   |
| Joint use reimbursement - Watauga    | 96,580               | 96,580               | 84,842               | (11,738)  |
| Subdivision meter revenue            | 35,000               | 18,822               | 20,813               | 1,991   |
| Sub-total                            | <u>830,067</u>       | <u>807,970</u>       | <u>1,075,870</u>     | <u>267,900</u>  |
| <b>Appropriation of fund balance</b> |                      |                      |                      |   |
| Previous year encumbrances           | -                    | 47,577               | 47,577               | -   |
| Sub-total                            | <u>-</u>             | <u>47,577</u>        | <u>47,577</u>        | <u>-</u>  |
| Total revenues                       | <u>\$ 30,598,049</u> | <u>\$ 30,720,065</u> | <u>\$ 30,346,579</u> | <u>\$ (373,486)</u>                                       |
| <b>EXPENSES</b>                      |                      |                      |                      |   |
| <b>Operating</b>                     |                      |                      |                      |   |
| Administration                       | \$ 281,707           | \$ 281,457           | \$ 283,282           | \$ (1,825)  |
| Development                          | 834,065              | 841,290              | 768,709              | 72,581  |
| Right of way maintenance             | 150,000              | 205,000              | 193,756              | 11,244  |
| Sub-total                            | <u>1,265,772</u>     | <u>1,327,747</u>     | <u>1,245,747</u>     | <u>82,000</u>   |
| <b>Water Services</b>                |                      |                      |                      |   |
| Water operations                     | 4,490,169            | 4,462,595            | 3,929,562            | 533,033   |
| Purchase of water FTW                | 5,211,664            | 5,211,664            | 3,447,416            | 1,764,248   |
| Purchase of water TRA                | 4,975,000            | 4,975,000            | 4,804,780            | 170,220   |
| Sub-total                            | <u>14,676,833</u>    | <u>14,649,259</u>    | <u>12,181,758</u>    | <u>2,467,501</u>  |
| <b>Sewer Services</b>                |                      |                      |                      |   |
| Sewer operations                     | 1,305,531            | 1,335,952            | 1,230,096            | 105,856   |
| Sewer treatment FTW                  | 1,524,700            | 1,524,700            | 1,438,001            | 86,699  |
| Sewer treatment TRA                  | 3,231,000            | 3,231,000            | 3,605,545            | (374,545)   |
| Sub-total                            | <u>6,061,231</u>     | <u>6,091,652</u>     | <u>6,273,642</u>     | <u>(181,990)</u>  |

CITY OF NORTH RICHLAND HILLS, TEXAS  
Schedule of Revenues, Expenses, and Changes in Net Position - Budget (Non-GAAP Basis) and Actual  
UTILITY FUND  
Year Ended September 30, 2014

|   | Original             | Final                | Actual               | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|---|----------------------|----------------------|----------------------|---|
| Finance/Utility Collections                                       |                      |                      |                      |   |
| Meter reading   | 463,817              | 470,589              | 467,568              | 3,021   |
| Utility billing / customer service                                | 836,580              | 829,808              | 804,039              | 25,769  |
| Utility collection services                                       | 282,569              | 282,391              | 276,209              | 6,182   |
| Accounting services   | 359,133              | 382,411              | 370,773              | 11,638  |
| Budget & research   | 207,904              | 207,991              | 199,830              | 8,161   |
| Sub-total   | <u>2,150,003</u>     | <u>2,173,190</u>     | <u>2,118,419</u>     | <u>54,771</u>   |
| Building services   | <u>1,493,517</u>     | <u>1,493,517</u>     | <u>1,493,517</u>     | <u>-</u>  |
| Non-departmental  | <u>443,086</u>       | <u>339,086</u>       | <u>170,018</u>       | <u>169,068</u>  |
| Sub-total Departments   | <u>\$ 26,090,442</u> | <u>\$ 26,074,451</u> | <u>\$ 23,483,101</u> | <u>\$ 2,591,350</u>                                       |
| OTHER & RESERVES  |                      |                      |                      |   |
| Debt service  | \$ 1,017,055         | \$ 1,014,140         | \$ 1,017,980         | \$ (3,840)  |
| Franchise fee   | 890,621              | 894,196              | 856,215              | 37,981  |
| Indirect costs  | 1,990,775            | 1,990,775            | 1,990,775            | -   |
| Payment in lieu of taxes  | 384,156              | 384,156              | 384,156              | -   |
| Transfer from utility cip reserve to information<br>services fund | 175,000              | 175,000              | 175,000              | -   |
| Contribution to equipment services                                | 50,000               | 50,000               | 50,000               | -   |
| Reserve for capital   | -                    | 137,347              | 137,347              | -   |
| Total other & reserves  | <u>\$ 4,507,607</u>  | <u>\$ 4,645,614</u>  | <u>\$ 4,611,473</u>  | <u>\$ 34,141</u>  |
| Total expenses  | <u>\$ 30,598,049</u> | <u>\$ 30,720,065</u> | <u>\$ 28,094,574</u> | <u>\$ 2,625,491</u>                                       |
| Balance   | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ 2,252,005</u>  | <u>\$ 2,252,005</u>                                       |

Notes to required supplementary information are an integral part of this schedule.

CITY OF NORTH RICHLAND HILLS, TEXAS  
Schedule of Revenues, Expenses, and Changes in Net Position - Budget (Non-GAAP Basis) and Actual  
AQUATIC PARK  
Year Ended September 30, 2014

|                                     | Original            | Final               | Actual              | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|-------------------------------------|---------------------|---------------------|---------------------|---|
| <b>REVENUES</b>                     |                     |                     |                     |   |
| Operating                           |                     |                     |                     |   |
| Admissions                          | \$ 3,644,417        | \$ 3,090,598        | \$ 3,000,518        | \$ (90,080)   |
| Food and beverage                   | 780,554             | 800,843             | 741,937             | (58,906)  |
| Merchandise                         | 159,850             | 122,734             | 116,258             | (6,476)   |
| Rentals                             | 165,497             | 143,708             | 139,929             | (3,779)   |
| Programs                            | 20,246              | -                   | -                   | -   |
| Aquatic classes / special events    | -                   | -                   | 2,913               | 2,913   |
| Sub-total                           | <u>4,770,564</u>    | <u>4,157,883</u>    | <u>4,001,555</u>    | <u>(156,328)</u>  |
| Other revenues                      |                     |                     |                     |   |
| Interest income                     | 19,948              | 7,593               | 17,313              | 9,720   |
| Other                               | 16,300              | 17,200              | 18,414              | 1,214   |
| Sub-total                           | <u>36,248</u>       | <u>24,793</u>       | <u>35,727</u>       | <u>10,934</u>   |
| Sub-total revenues                  | <u>4,806,812</u>    | <u>4,182,676</u>    | <u>4,037,282</u>    | <u>(145,394)</u>  |
| Appropriation of fund balance       |                     |                     |                     |   |
| Appropriation of fund balance       | -                   | 306,811             | 306,811             | -   |
| Sub-total                           | <u>-</u>            | <u>306,811</u>      | <u>306,811</u>      | <u>-</u>  |
| Total revenues                      | <u>\$ 4,806,812</u> | <u>\$ 4,489,487</u> | <u>\$ 4,344,093</u> | <u>\$ (145,394)</u>                                       |
| <b>EXPENSES</b>                     |                     |                     |                     |   |
| Operating                           |                     |                     |                     |   |
| General services & utilities        | \$ 861,310          | \$ 806,090          | \$ 797,200          | \$ 8,890  |
| Public grounds / Aquatics / Maint.  | 1,216,926           | 1,103,270           | 1,117,098           | (13,828)  |
| Business & office administration    | 567,711             | 567,711             | 538,927             | 28,784  |
| Gift shop / concessions             | 544,540             | 566,776             | 516,169             | 50,607  |
| Sales / special events / admissions | 267,612             | 269,166             | 243,275             | 25,891  |
| Sub-total                           | <u>3,458,099</u>    | <u>3,313,013</u>    | <u>3,212,669</u>    | <u>100,344</u>  |
| <b>OTHER &amp; RESERVES</b>         |                     |                     |                     |   |
| Debt service                        | \$ 915,922          | \$ 915,922          | \$ 873,487          | \$ 42,435   |
| Indirect costs                      | 143,942             | 143,942             | 143,942             | -   |
| Transfer out - PARD                 | 75,125              | 75,125              | 75,125              | -   |
| Reserve for:                        |                     |                     |                     | -   |
| Infrastructure & major repairs      | 173,132             | -                   | -                   | -   |
| Non-departmental                    | 40,592              | 41,485              | 41,111              | 374   |
| Total other & reserves              | <u>\$ 1,348,713</u> | <u>\$ 1,176,474</u> | <u>\$ 1,133,665</u> | <u>\$ 42,809</u>  |
| Total expenses                      | <u>\$ 4,806,812</u> | <u>\$ 4,489,487</u> | <u>\$ 4,346,334</u> | <u>\$ 143,153</u>   |
| Balance                             | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ (2,241)</u>   | <u>\$ (2,241)</u>   |

Notes to required supplementary information are an integral part of this schedule.

CITY OF NORTH RICHLAND HILLS, TEXAS  
Schedule of Revenues, Expenses, and Changes in Net Position - Budget (Non-GAAP Basis) and Actual  
Golf  
Year Ended September 30, 2014

|                                     | Original            | Final               | Actual              | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|-------------------------------------|---------------------|---------------------|---------------------|---|
| <b>REVENUES</b>                     |                     |                     |                     |   |
| Green fees                          | \$ 1,032,572        | \$ 875,418          | \$ 854,791          | \$ (20,627)   |
| Pro shop                            | 365,068             | 389,365             | 407,590             | 18,225  |
| Driving range                       | 82,000              | 75,249              | 82,349              | 7,100   |
| Carts                               | 436,749             | 377,476             | 375,051             | (2,425)   |
| Food & beverage                     | 573,668             | 608,450             | 642,222             | 33,772  |
| General & administrative            | -                   | 738                 | 1,550               | 812   |
| Other revenues                      | 6,123               | 977                 | 49,600              | 48,623  |
| Total revenues                      | <u>2,496,180</u>    | <u>2,327,673</u>    | <u>2,413,153</u>    | <u>85,480</u>   |
| <b>EXPENSES</b>                     |                     |                     |                     |   |
| Operating                           |                     |                     |                     |   |
| Pro shop                            | \$ 299,365          | \$ 157,383          | \$ 158,581          | \$ (1,198)  |
| Pro shop: cost of goods sold        | -                   | 142,209             | 146,135             | (3,926)   |
| Driving range                       | 14,500              | 9,905               | 9,504               | 401   |
| Golf carts                          | 232,013             | 219,535             | 220,480             | (945)   |
| Course maintenance                  | 601,655             | 583,705             | 580,076             | 3,629   |
| Food & beverage                     | 431,190             | 236,831             | 238,895             | (2,064)   |
| Food & beverage: cost of goods sold | -                   | 189,263             | 194,675             | (5,412)   |
| Sales & membership                  | 47,075              | 54,909              | 55,424              | (515)   |
| General & administrative            | 239,762             | 233,713             | 260,917             | (27,204)  |
| Clubhouse                           | 115,883             | 116,289             | 113,120             | 3,169   |
| Management fees                     | 124,502             | 104,066             | 134,452             | (30,386)  |
| Sub-total                           | <u>2,105,945</u>    | <u>2,047,808</u>    | <u>2,112,259</u>    | <u>(64,451)</u>   |
| <b>OTHER &amp; RESERVES</b>         |                     |                     |                     |   |
| Debt service                        | \$ 123,088          | \$ 119,812          | \$ 120,414          | \$ (602)  |
| Payment to interdepartmental loans: |                     |                     |                     |   |
| Water Fund                          | 37,232              | -                   | -                   | -   |
| General fund                        | 147,760             | 147,760             | 147,760             | -   |
| Reserve for Equipment/CIP           | 82,155              | 12,293              | 32,720              | (20,427)  |
| Total other & reserves              | <u>\$ 390,235</u>   | <u>\$ 279,865</u>   | <u>\$ 300,894</u>   | <u>\$ (21,029)</u>  |
| Total expenses                      | <u>\$ 2,496,180</u> | <u>\$ 2,327,673</u> | <u>\$ 2,413,153</u> | <u>\$ (85,480)</u>  |
| Balance                             | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>   |

Notes to required supplementary information are an integral part of this schedule.

CITY OF NORTH RICHLAND HILLS, TEXAS  
Schedule of Revenues, Expenses, and Changes in Net Position - Budget (Non-GAAP Basis) and Actual  
Facilities and Construction  
Year Ended September 30, 2014

|                                 | Original            | Final               | Actual              | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|---------------------------------|---------------------|---------------------|---------------------|---|
| <b>REVENUES</b>                 |                     |                     |                     |   |
| Charges for service             |                     |                     |                     |   |
| Transfer from:                  |                     |                     |                     |   |
| General fund                    | \$ 705,401          | \$ 705,401          | \$ 705,401          | \$ -  |
| Parks development fund          | 331,300             | 331,300             | 331,300             | -   |
| Utility Fund                    | 1,493,517           | 1,493,517           | 1,493,517           | -   |
| Sub-total                       | <u>2,530,218</u>    | <u>2,530,218</u>    | <u>2,530,218</u>    | <u>-</u>  |
| Other revenues                  |                     |                     |                     |   |
| Interest income                 | 7,103               | 5,690               | 7,050               | 1,360   |
| Rent from rental properties     | 78,000              | 78,000              | 63,240              | (14,760)  |
| Other income                    | 11,019              | 13,019              | 20,758              | 7,739   |
| Sub-total                       | <u>96,122</u>       | <u>96,709</u>       | <u>91,048</u>       | <u>(5,661)</u>  |
| Sub-total revenues              | <u>2,626,340</u>    | <u>2,626,927</u>    | <u>2,621,266</u>    | <u>(5,661)</u>  |
| Appropriation of fund balance   |                     |                     |                     |   |
| Building services fund reserves | 40,000              | 40,000              | 40,000              | -   |
| Sub-total                       | <u>40,000</u>       | <u>40,000</u>       | <u>40,000</u>       | <u>-</u>  |
| Total revenues                  | <u>\$ 2,666,340</u> | <u>\$ 2,666,927</u> | <u>\$ 2,661,266</u> | <u>\$ (5,661)</u>   |
| <b>EXPENSES</b>                 |                     |                     |                     |   |
| General services                | \$ 332,559          | \$ 332,346          | \$ 322,209          | \$ 10,137   |
| Building services               | 2,090,092           | 2,071,619           | 1,856,409           | 215,210   |
| Rental property program         | 56,910              | 56,910              | 38,991              | 17,919  |
| Transfer to capital budget      | 127,420             | 127,420             | 127,420             | -   |
| Sub-total                       | <u>2,606,981</u>    | <u>2,588,295</u>    | <u>2,345,029</u>    | <u>243,266</u>  |
| <b>OTHER &amp; RESERVES</b>     |                     |                     |                     |   |
| Debt service                    | \$ 25,409           | \$ 25,409           | \$ 25,409           | \$ -  |
| Other                           | 12,860              | 29,360              | 12,860              | 16,500  |
| Reserve for rental property     | 21,090              | 21,090              | 21,090              | -   |
| Total other & reserves          | <u>\$ 59,359</u>    | <u>\$ 75,859</u>    | <u>\$ 59,359</u>    | <u>\$ 16,500</u>  |
| Total expenses                  | <u>\$ 2,666,340</u> | <u>\$ 2,664,154</u> | <u>\$ 2,404,388</u> | <u>\$ 259,766</u>   |
| Balance                         | <u>\$ -</u>         | <u>\$ 2,773</u>     | <u>\$ 256,878</u>   | <u>\$ 254,105</u>   |

*Notes to required supplementary information are an integral part of this schedule.*

CITY OF NORTH RICHLAND HILLS, TEXAS  
Schedule of Revenues, Expenses, and Changes in Net Position - Budget (Non-GAAP Basis) and Actual  
Fleet Services  
Year Ended September 30, 2014

|                                 | Original            | Final               | Actual              | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|---------------------------------|---------------------|---------------------|---------------------|---|
| <b>REVENUES</b>                 |                     |                     |                     |   |
| Charges for service             |                     |                     |                     |   |
| Transfer from:                  |                     |                     |                     |   |
| General fund                    | \$ 1,082,422        | \$ 1,082,422        | \$ 1,082,422        | \$ -  |
| Utility fund                    | 1,636,780           | 1,636,780           | 1,636,780           | -   |
| Utility CIP / utility customers | 240,135             | 240,135             | 240,135             | -   |
| Crime control district          | 141,768             | 141,768             | 141,768             | -   |
| Parks development fund          | 119,735             | 119,735             | 119,735             | -   |
| Other funds                     | 48,293              | 48,293              | 48,293              | -   |
| Sub-total                       | <u>3,269,133</u>    | <u>3,269,133</u>    | <u>3,269,133</u>    | <u>-</u>  |
| Other revenues                  |                     |                     |                     |   |
| Interest income                 | 15,543              | 6,887               | 17,257              | 10,370  |
| Sale of city property           | 20,000              | 47,874              | 51,560              | 3,686   |
| Other income                    | 12,000              | 12,000              | 51,469              | 39,469  |
| Transfer from utility fund      | 50,000              | 50,000              | 50,000              | -   |
| Sub-total                       | <u>97,543</u>       | <u>116,761</u>      | <u>170,286</u>      | <u>53,525</u>   |
| Sub-total revenues              | <u>3,366,676</u>    | <u>3,385,894</u>    | <u>3,439,419</u>    | <u>53,525</u>   |
| Appropriation of fund balance   |                     |                     |                     |   |
| Equipment service fund reserves | 258,779             | 359,663             | 359,663             | -   |
| Sub-total                       | <u>258,779</u>      | <u>359,663</u>      | <u>359,663</u>      | <u>-</u>  |
| Total revenues                  | <u>\$ 3,625,455</u> | <u>\$ 3,745,557</u> | <u>\$ 3,799,082</u> | <u>\$ 53,525</u>  |
| <b>EXPENSES</b>                 |                     |                     |                     |   |
| General services                | \$ 346,996          | \$ 346,639          | \$ 344,853          | \$ 1,786  |
| Equipment services operations   | 1,711,961           | 1,712,765           | 1,639,640           | 73,125  |
| Fire fleet maintenance          | 343,400             | 343,066             | 316,506             | 26,560  |
| Equipment purchases             | 336,420             | 336,420             | 321,224             | 15,196  |
| Fire vehicles/equipment         | 110,386             | 182,296             | 178,058             | 4,238   |
| Police vehicles/equipment       | 320,730             | 349,704             | 342,104             | 7,600   |
| Sub-total                       | <u>3,169,893</u>    | <u>3,270,890</u>    | <u>3,142,385</u>    | <u>128,505</u>  |
| <b>OTHER &amp; RESERVES</b>     |                     |                     |                     |   |
| Debt service                    | \$ 393,134          | \$ 393,134          | \$ 393,134          | \$ -  |
| Other                           | 12,428              | 12,785              | 12,428              | 357   |
| Equipment services reserves     | 50,000              | 50,000              | 50,000              | -   |
| Total other & reserves          | <u>\$ 455,562</u>   | <u>\$ 455,919</u>   | <u>\$ 455,562</u>   | <u>\$ 357</u>   |
| Total expenses                  | <u>\$ 3,625,455</u> | <u>\$ 3,726,809</u> | <u>\$ 3,597,947</u> | <u>\$ 128,862</u>   |
| Balance                         | <u>\$ -</u>         | <u>\$ 18,748</u>    | <u>\$ 201,135</u>   | <u>\$ 182,387</u>   |

Notes to required supplementary information are an integral part of this schedule.

CITY OF NORTH RICHLAND HILLS, TEXAS  
Schedule of Revenues, Expenses, and Changes in Net Position - Budget (Non-GAAP Basis) and Actual  
Self Insurance Fund  
Year Ended September 30, 2014

|                                      | Original             | Final                | Actual               | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--------------------------------------|----------------------|----------------------|----------------------|---|
| <b>REVENUES</b>                      |                      |                      |                      |   |
| Allocations                          |                      |                      |                      |   |
| Health/medical                       | \$ 8,739,545         | \$ 8,739,545         | \$ 8,747,608         | \$ 8,063  |
| Worker's compensation                | 531,480              | 531,480              | 531,480              | -   |
| Administration allocation            | 486,621              | 486,621              | 486,621              | -   |
| Other insurance                      | 573,258              | 573,258              | 572,841              | (417)   |
| Sub-total                            | <u>10,330,904</u>    | <u>10,330,904</u>    | <u>10,338,550</u>    | <u>7,646</u>  |
| Other revenues                       |                      |                      |                      |   |
| Interest income                      | 34,285               | 23,990               | 46,440               | 22,450  |
| Other income                         | 67,000               | 90,333               | 99,497               | 9,164   |
| Expenditure reimbursement            | -                    | 143,313              | 370,395              | 227,082   |
| Sub-total                            | <u>101,285</u>       | <u>257,636</u>       | <u>516,332</u>       | <u>258,696</u>  |
| Sub-total revenues                   | <u>10,432,189</u>    | <u>10,588,540</u>    | <u>10,854,882</u>    | <u>266,342</u>  |
| Appropriation of fund balance        |                      |                      |                      |   |
| Self insurance fund reserves         | 100,000              | 423,968              | 423,968              | -   |
| Sub-total                            | <u>100,000</u>       | <u>423,968</u>       | <u>423,968</u>       | <u>-</u>  |
| Total revenues                       | <u>\$ 10,532,189</u> | <u>\$ 11,012,508</u> | <u>\$ 11,278,850</u> | <u>\$ 266,342</u>   |
| <b>EXPENSES</b>                      |                      |                      |                      |   |
| Health/medical                       | \$ 8,739,545         | \$ 9,219,924         | \$ 9,298,369         | \$ (78,445)   |
| Worker's compensation                | 531,480              | 531,480              | 610,942              | (79,462)  |
| Personnel expenses                   | 460,537              | 460,537              | 457,773              | 2,764   |
| Other insurance                      | 515,234              | 515,234              | 512,022              | 3,212   |
| Reserve for insurance claims         | 23,393               | -                    | -                    | -   |
| Other expenses                       | 67,000               | 90,333               | 91,088               | (755)   |
| Life insurance premium               | 95,000               | 95,000               | 94,196               | 804   |
| Sub-total                            | <u>\$ 10,432,189</u> | <u>\$ 10,912,508</u> | <u>\$ 11,064,390</u> | <u>\$ (151,882)</u>                                       |
| <b>OTHER &amp; RESERVES</b>          |                      |                      |                      |   |
| Transfer to retiree health care fund | \$ 100,000           | \$ 100,000           | \$ 100,000           | \$ -  |
| Total other & reserves               | <u>\$ 100,000</u>    | <u>\$ 100,000</u>    | <u>\$ 100,000</u>    | <u>\$ -</u>   |
| Total expenses                       | <u>\$ 10,532,189</u> | <u>\$ 11,012,508</u> | <u>\$ 11,164,390</u> | <u>\$ (151,882)</u>                                       |
| Balance                              | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ 114,460</u>    | <u>\$ 114,460</u>   |

*Notes to required supplementary information are an integral part of this schedule.*

CITY OF NORTH RICHLAND HILLS, TEXAS  
Schedule of Revenues, Expenses, and Changes in Net Position - Budget (Non-GAAP Basis) and Actual  
Information Systems  
Year Ended September 30, 2014

|   | Original            | Final               | Actual              | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|---|---------------------|---------------------|---------------------|---|
| <b>REVENUES</b>                               |                     |                     |                     |   |
| Telecommunications                            |                     |                     |                     |   |
| Transfer from:                                |                     |                     |                     |   |
| General fund                                  | \$ 288,487          | \$ 288,487          | \$ 288,487          | \$ -  |
| Park Fund                                     | 31,594              | 31,594              | 31,594              | -   |
| Crime control district                        | 26,071              | 26,071              | 26,071              | -   |
| Utility fund                                  | 77,933              | 77,933              | 77,930              | (3)   |
| Other funds                                   | 51,727              | 51,727              | 51,727              | -   |
| Sub-total                                     | <u>475,812</u>      | <u>475,812</u>      | <u>475,809</u>      | <u>(3)</u>  |
| Computers:                                    |                     |                     |                     |   |
| Transfer from:                                |                     |                     |                     |   |
| General fund                                  | \$ 914,506          | \$ 914,506          | \$ 914,506          | \$ -  |
| Park Fund                                     | 100,363             | 100,363             | 100,363             | -   |
| Crime control district                        | 167,732             | 167,732             | 167,732             | -   |
| Utility fund                                  | 653,435             | 653,435             | 653,435             | -   |
| Other funds                                   | 275,641             | 275,641             | 275,641             | -   |
| Sub-total                                     | <u>2,111,677</u>    | <u>2,111,677</u>    | <u>2,111,677</u>    | <u>-</u>  |
| Other revenues                                |                     |                     |                     |   |
| Interest income                               | 10,726              | 6,605               | 14,495              | 7,890   |
| Transmitter lease                             | 112,492             | 145,000             | 151,957             | 6,957   |
| Other income                                  | 14,000              | 21,623              | 21,314              | (309)   |
| Transfer from general fund                    | 75,882              | 78,810              | 78,810              | -   |
| Transfer from utility fund                    | 175,000             | 175,000             | 175,000             | -   |
| Sub-total                                     | <u>388,100</u>      | <u>427,038</u>      | <u>441,576</u>      | <u>14,538</u>   |
| Sub-total revenues                            | <u>2,975,589</u>    | <u>3,014,527</u>    | <u>3,029,062</u>    | <u>14,535</u>   |
| Appropriation of fund balance                 |                     |                     |                     |   |
| Appropriation of information systems reserves | -                   | 79,203              | 79,203              | -   |
| Sub-total                                     | <u>-</u>            | <u>79,203</u>       | <u>79,203</u>       | <u>-</u>  |
| Total revenues                                | <u>\$ 2,975,589</u> | <u>\$ 3,093,730</u> | <u>\$ 3,108,265</u> | <u>\$ 14,535</u>  |
| <b>EXPENSES</b>                               |                     |                     |                     |   |
| General services                              | \$ 242,555          | \$ 240,998          | \$ 237,121          | \$ 3,877  |
| Major computer systems                        | 403,147             | 399,250             | 287,808             | 111,442   |
| Microcomputer systems                         | 672,640             | 703,133             | 649,216             | 53,917  |
| Telecommunications                            | 340,776             | 340,776             | 291,717             | 49,059  |
| Data network                                  | 709,805             | 737,848             | 685,456             | 52,392  |
| GIS System                                    | 166,700             | 164,022             | 163,435             | 587   |
| Public safety                                 | 408,583             | 497,855             | 448,481             | 49,374  |
| Sub-total                                     | <u>2,944,206</u>    | <u>3,083,882</u>    | <u>2,763,234</u>    | <u>320,648</u>  |
| <b>OTHER &amp; RESERVES</b>                   |                     |                     |                     |   |
| Other   | 8,238               | 8,238               | 8,238               | -   |
| Reserve for system improvements               | 23,145              | 1,610               | 1,610               | -   |
| Total other & reserves                        | <u>\$ 31,383</u>    | <u>\$ 9,848</u>     | <u>\$ 9,848</u>     | <u>\$ -</u>   |
| Total expenses                                | <u>\$ 2,975,589</u> | <u>\$ 3,093,730</u> | <u>\$ 2,773,082</u> | <u>\$ 320,648</u>   |
| Balance                                       | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ 335,183</u>   | <u>\$ 335,183</u>   |

Notes to required supplementary information are an integral part of this schedule.



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# Statistical Section

## Financial Trends

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

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

## Debt Capacity

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

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

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.

CITY OF NORTH RICHLAND HILLS, TEXAS  
Net Position by Component

(unaudited)

|                                 | <u>2014</u>           | <u>2013</u>           | <u>2012</u>           | <i>Fiscal</i><br><u>2011</u> |
|---------------------------------|-----------------------|-----------------------|-----------------------|------------------------------|
| <i>Governmental Activities</i>  |                       |                       |                       |                              |
| Net Investment in Capital       |                       |                       |                       |                              |
| Assets                          | \$ 196,926,762        | \$ 205,397,867        | \$ 205,162,006        | \$ 178,349,544               |
| Restricted                      | 4,115,704             | 4,634,803             | 4,253,430             | 3,368,190                    |
| Unrestricted                    | <u>39,299,589</u>     | <u>26,228,262</u>     | <u>23,572,411</u>     | <u>37,099,102</u>            |
| Total net assets                | <u>240,342,055</u>    | <u>236,260,932</u>    | <u>232,987,847</u>    | <u>218,816,836</u>           |
| <i>Business-type Activities</i> |                       |                       |                       |                              |
| Net Investment in Capital       |                       |                       |                       |                              |
| Assets                          | 58,375,965            | 62,044,064            | 62,615,382            | 65,810,811                   |
| Restricted                      | 3,788,127             | 3,762,460             | 2,710,553             | 2,600,187                    |
| Unrestricted                    | <u>22,414,369</u>     | <u>20,753,387</u>     | <u>22,957,383</u>     | <u>21,455,781</u>            |
| Total net assets                | <u>84,578,461</u>     | <u>86,559,911</u>     | <u>88,283,318</u>     | <u>89,866,779</u>            |
| <i>Primary Government</i>       |                       |                       |                       |                              |
| Net Investment in Capital       |                       |                       |                       |                              |
| Assets                          | 255,302,727           | 267,441,931           | 267,777,388           | 244,160,355                  |
| Restricted                      | 7,903,831             | 8,397,263             | 6,963,983             | 5,968,377                    |
| Unrestricted                    | <u>61,713,958</u>     | <u>46,981,649</u>     | <u>46,529,794</u>     | <u>58,554,883</u>            |
| Total net assets                | <u>\$ 324,920,516</u> | <u>\$ 322,820,843</u> | <u>\$ 321,271,165</u> | <u>\$ 308,683,615</u>        |

Note: Right-of-way land was added to the financial statements in fiscal year 2006.

Table 1

| Year |                       |                       |                       |                       |                       |                       |
|------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|      | <u>2010</u>           | <u>2009</u>           | <u>2008</u>           | <u>2007</u>           | <u>2006</u>           | <u>2005</u>           |
|      | \$ 164,973,337        | \$ 142,066,447        | \$ 129,533,935        | \$ 128,290,273        | \$ 127,692,821        | \$ 70,181,539         |
|      | 3,715,127             | 4,693,345             | 3,984,364             | 3,270,409             | 2,973,821             | 2,759,099             |
|      | <u>35,253,260</u>     | <u>52,082,125</u>     | <u>54,146,336</u>     | <u>44,787,548</u>     | <u>36,986,785</u>     | <u>27,839,936</u>     |
|      | <u>203,941,724</u>    | <u>198,841,917</u>    | <u>187,664,635</u>    | <u>176,348,230</u>    | <u>167,653,427</u>    | <u>100,780,574</u>    |
|      |                       |                       |                       |                       |                       |                       |
|      | 61,160,189            | 62,354,993            | 60,828,610            | 65,485,796            | 62,776,005            | 63,610,252            |
|      | 2,610,287             | 3,018,779             | 2,709,713             | 2,937,027             | 2,712,360             | 2,267,668             |
|      | <u>21,724,799</u>     | <u>25,309,106</u>     | <u>29,018,350</u>     | <u>24,779,076</u>     | <u>27,457,208</u>     | <u>22,623,841</u>     |
|      | <u>85,495,275</u>     | <u>90,682,878</u>     | <u>92,556,673</u>     | <u>93,201,899</u>     | <u>92,945,573</u>     | <u>88,501,761</u>     |
|      |                       |                       |                       |                       |                       |                       |
|      | 226,134,526           | 204,421,440           | 190,362,545           | 193,776,069           | 190,468,826           | 133,791,791           |
|      | 6,325,414             | 7,712,124             | 6,694,077             | 6,207,436             | 5,686,181             | 5,026,767             |
|      | <u>56,978,925</u>     | <u>77,391,231</u>     | <u>83,164,686</u>     | <u>69,566,624</u>     | <u>64,443,993</u>     | <u>50,463,777</u>     |
|      | <u>\$ 289,438,865</u> | <u>\$ 289,524,795</u> | <u>\$ 280,221,308</u> | <u>\$ 269,550,129</u> | <u>\$ 260,599,000</u> | <u>\$ 189,282,335</u> |

**CITY OF NORTH RICHLAND HILLS, TEXAS**

Changes in Net Position

(unaudited)

|                                    | <u>2014</u>            | <u>2013</u>            | <u>2012</u>            | <u>2011</u>            | <u>2010</u>            |
|------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| <b>Expenses</b>                    |                        |                        |                        |                        |                        |
| Governmental activities:           |                        |                        |                        |                        |                        |
| General government                 | \$ 11,226,130          | \$ 10,656,322          | \$ 10,399,845          | \$ 9,886,731           | \$ 14,653,747          |
| Public safety                      | 31,035,115             | 30,611,650             | 28,881,714             | 28,512,136             | 26,172,292             |
| Culture and recreation             | 11,931,205             | 11,633,882             | 11,679,786             | 9,352,354              | 9,468,346              |
| Public works                       | 8,962,500              | 8,398,711              | 7,794,339              | 7,679,001              | 8,388,531              |
| Interest and other fees            | 3,915,632              | 3,673,780              | 3,453,283              | 2,108,277              | 1,761,128              |
| Total governmental activities      | <u>67,070,582</u>      | <u>64,974,345</u>      | <u>62,208,967</u>      | <u>57,538,499</u>      | <u>60,444,044</u>      |
| Business-type activities:          |                        |                        |                        |                        |                        |
| Utility                            | 28,066,386             | 27,623,220             | 26,642,141             | 27,981,025             | 27,313,424             |
| Golf course                        | 2,433,004              | 2,566,632              | 2,429,973              | 2,227,315              | 2,236,113              |
| Aquatic park                       | 4,542,966              | 4,749,688              | 4,753,949              | 4,507,561              | 4,188,892              |
| Interest and other fees            | -                      | -                      | -                      | -                      | -                      |
| Total business-type activities     | <u>35,042,356</u>      | <u>34,939,540</u>      | <u>33,826,063</u>      | <u>34,715,901</u>      | <u>33,738,429</u>      |
| Total primary government           | <u>102,112,938</u>     | <u>99,913,885</u>      | <u>96,035,030</u>      | <u>92,254,400</u>      | <u>94,182,473</u>      |
| <b>Program Revenues</b>            |                        |                        |                        |                        |                        |
| Governmental activities:           |                        |                        |                        |                        |                        |
| Charges for services               |                        |                        |                        |                        |                        |
| General government                 | 5,521,811              | 5,497,050              | 5,490,245              | 5,466,876              | 8,619,557              |
| Public safety                      | 3,655,306              | 4,204,508              | 3,426,008              | 2,668,111              | 2,918,356              |
| Culture and recreation             | 3,100,292              | 3,001,249              | 2,381,024              | 858,241                | 909,267                |
| Public works                       | 1,136,920              | 937,102                | 932,819                | 857,809                | 839,309                |
| Operating grants and contributions | 2,826,280              | 2,545,158              | 1,833,138              | 879,524                | 964,914                |
| Capital grants and contributions   | 2,676,372              | 2,938,951              | 7,401,996              | 17,644,326             | 6,806,586              |
| Total governmental activities      | <u>18,916,981</u>      | <u>19,124,018</u>      | <u>21,465,230</u>      | <u>28,374,887</u>      | <u>21,057,989</u>      |
| Business-type activities:          |                        |                        |                        |                        |                        |
| Charges for services               |                        |                        |                        |                        |                        |
| Utility                            | 30,483,178             | 30,160,950             | 28,445,746             | 28,921,168             | 24,324,685             |
| Golf course                        | 2,314,514              | 2,371,010              | 2,443,865              | 2,324,118              | 2,264,256              |
| Aquatic park                       | 4,019,970              | 4,377,388              | 4,548,828              | 4,587,899              | 4,090,087              |
| Operating grants and contributions | 84,842                 | 138,831                | 80,660                 | -                      | -                      |
| Capital grants and contributions   | -                      | 7,291                  | 50,744                 | 4,643,096              | 271,624                |
| Total business-type activities     | <u>36,902,504</u>      | <u>37,055,470</u>      | <u>35,569,843</u>      | <u>40,476,281</u>      | <u>30,950,652</u>      |
| Total primary government           | <u>55,819,485</u>      | <u>56,179,488</u>      | <u>57,035,073</u>      | <u>68,851,168</u>      | <u>52,008,641</u>      |
| <b>Net (Expense) Revenue</b>       |                        |                        |                        |                        |                        |
| Governmental activities            | (48,153,601)           | (45,850,327)           | (40,743,737)           | (29,163,612)           | (39,386,055)           |
| Business-type activities           | 1,860,148              | 2,115,930              | 1,743,780              | 5,760,380              | (2,787,777)            |
| Total primary government           | <u>\$ (46,293,453)</u> | <u>\$ (43,734,397)</u> | <u>\$ (38,999,957)</u> | <u>\$ (23,403,232)</u> | <u>\$ (42,173,832)</u> |

Table 2

| 2009                   | 2008                   | 2007                   | 2006                   | 2005                   |
|------------------------|------------------------|------------------------|------------------------|------------------------|
| \$ 16,355,871          | \$ 9,379,422           | \$ 8,461,142           | \$ 9,269,861           | \$ 8,288,137           |
| 27,772,668             | 25,791,827             | 23,265,259             | 22,022,696             | 20,693,721             |
| 10,718,579             | 7,973,359              | 7,327,532              | 7,611,710              | 7,355,182              |
| 2,126,721              | 5,748,315              | 7,799,706              | 8,169,282              | 7,597,475              |
| 2,269,541              | 2,302,096              | 2,561,837              | 2,546,791              | 2,860,149              |
| <u>59,243,380</u>      | <u>51,195,019</u>      | <u>49,415,476</u>      | <u>49,620,340</u>      | <u>46,794,664</u>      |
| 25,121,565             | 27,329,181             | 23,154,259             | 22,929,665             | 21,492,504             |
| 2,217,868              | 2,302,670              | 2,247,272              | 2,239,404              | 2,254,198              |
| 4,105,695              | 3,774,757              | 3,433,492              | 3,343,073              | 3,251,524              |
| -                      | 433,588                | -                      | -                      | -                      |
| <u>31,445,128</u>      | <u>33,840,196</u>      | <u>28,835,023</u>      | <u>28,512,142</u>      | <u>26,998,226</u>      |
| <u>90,688,508</u>      | <u>85,035,215</u>      | <u>78,250,499</u>      | <u>78,132,482</u>      | <u>73,792,890</u>      |
| 4,547,658              | 9,333,482              | 6,505,029              | 6,881,843              | 5,672,569              |
| 4,922,180              | 2,995,693              | 1,718,460              | 1,314,329              | 1,154,807              |
| 1,446,132              | 2,517,122              | 1,124,777              | 1,212,343              | 1,214,590              |
| 1,896,764              | 2,355,161              | 1,179,302              | 174,166                | 61,063                 |
| 1,142,243              | 353,816                | 1,028,853              | 1,153,543              | 1,539,736              |
| 11,341,668             | 304,514                | 410,297                | 2,910,568              | 4,367,529              |
| <u>25,296,645</u>      | <u>17,859,788</u>      | <u>11,966,718</u>      | <u>13,646,792</u>      | <u>14,010,294</u>      |
| 25,060,898             | 26,349,559             | 21,630,336             | 25,858,511             | 22,237,742             |
| 2,509,577              | 2,571,409              | 2,298,065              | 1,775,963              | 2,287,494              |
| 3,858,389              | 3,943,288              | 3,916,691              | 3,894,274              | 3,421,301              |
| -                      | -                      | -                      | 66,466                 | 46,847                 |
| -                      | -                      | 599,983                | 1,288,734              | 1,603,834              |
| <u>31,428,864</u>      | <u>32,864,256</u>      | <u>28,445,075</u>      | <u>32,883,948</u>      | <u>29,597,218</u>      |
| <u>56,725,509</u>      | <u>50,724,044</u>      | <u>40,411,793</u>      | <u>46,530,740</u>      | <u>43,607,512</u>      |
| (33,946,735)           | (33,335,231)           | (37,448,758)           | (35,973,548)           | (32,784,370)           |
| (16,264)               | (975,940)              | (389,948)              | 4,371,806              | 2,598,992              |
| <u>\$ (33,962,999)</u> | <u>\$ (34,311,171)</u> | <u>\$ (37,838,706)</u> | <u>\$ (31,601,742)</u> | <u>\$ (30,185,378)</u> |

continued

CITY OF NORTH RICHLAND HILLS, TEXAS

Table 2

Changes in Net Position

(unaudited)

|                                   | Fiscal Year         |                     |                     |                      |                    |
|-----------------------------------|---------------------|---------------------|---------------------|----------------------|--------------------|
|                                   | 2014                | 2013                | 2012                | 2011                 | 2010               |
| <b>General Revenues and Other</b> |                     |                     |                     |                      |                    |
| <b>Changes in Net Position</b>    |                     |                     |                     |                      |                    |
| Governmental activities:          |                     |                     |                     |                      |                    |
| Taxes                             |                     |                     |                     |                      |                    |
| Property                          | \$ 24,903,041       | \$ 24,126,068       | \$ 22,222,620       | \$ 19,339,750        | \$ 19,909,976      |
| Sales                             | 18,007,872          | 17,359,807          | 16,974,086          | 16,645,412           | 16,428,281         |
| Mixed beverage                    | 129,512             | 117,223             | 101,724             | 128,007              | 118,253            |
| Franchise                         | 4,332,756           | 4,166,579           | 4,269,229           | 4,329,500            | 3,956,663          |
| Occupancy                         | 206,930             | 221,003             | 210,324             | 238,410              | 240,387            |
| Unrestricted investment earnings  | 320,460             | 258,705             | 300,928             | 495,386              | 588,866            |
| Special items                     | -                   | -                   | -                   | -                    | -                  |
| Miscellaneous                     | 142,074             | 205,445             | 288,093             | 1,271,555            | 553,412            |
| Transfers                         | 4,162,160           | 3,674,512           | 3,384,630           | 1,590,704            | 2,690,024          |
| Total governmental activities     | <u>52,204,805</u>   | <u>50,129,342</u>   | <u>47,751,634</u>   | <u>44,038,724</u>    | <u>44,485,862</u>  |
| Business-type activities:         |                     |                     |                     |                      |                    |
| Unrestricted investment earnings  | 20,007              | 80,950              | 50,479              | 171,125              | 236,674            |
| Miscellaneous                     | 300,555             | 5,380               | 6,909               | 30,703               | 53,524             |
| Transfers                         | (4,162,160)         | (3,674,512)         | (3,384,630)         | (1,590,704)          | (2,690,024)        |
| Total business-type activities    | <u>(3,841,598)</u>  | <u>(3,588,182)</u>  | <u>(3,327,242)</u>  | <u>(1,388,876)</u>   | <u>(2,399,826)</u> |
| Total primary government          | <u>48,363,207</u>   | <u>46,541,160</u>   | <u>44,424,392</u>   | <u>42,649,848</u>    | <u>42,086,036</u>  |
| <b>Changes in Net Position</b>    |                     |                     |                     |                      |                    |
| Governmental activities           | 4,051,204           | 4,279,015           | 7,007,897           | 14,875,112           | 5,099,807          |
| Business-type activities          | (1,981,450)         | (1,472,252)         | (1,583,462)         | 4,371,504            | (5,187,603)        |
| Total primary government          | <u>\$ 2,069,754</u> | <u>\$ 2,806,763</u> | <u>\$ 5,424,435</u> | <u>\$ 19,246,616</u> | <u>\$ (87,796)</u> |

Table 2

| <u>2009</u>         | <u>2008</u>          | <u>2007</u>         | <u>2006</u>          | <u>2005</u>         |
|---------------------|----------------------|---------------------|----------------------|---------------------|
| \$ 20,605,670       | \$ 19,248,707        | \$ 18,663,482       | \$ 18,134,230        | \$ 17,458,279       |
| 16,058,728          | 17,445,806           | 16,865,282          | 15,934,374           | 15,230,354          |
| 117,757             | 161,783              | 129,860             | 123,355              | 115,143             |
| 3,802,559           | 4,604,523            | 4,450,441           | 3,855,169            | 3,541,130           |
| 152,220             | 260,319              | 284,099             | 199,850              | 191,848             |
| 1,611,632           | 2,245,479            | 2,757,208           | 2,047,583            | 1,088,547           |
| -                   | 196,320              | 1,499,140           | -                    | -                   |
| 188,512             | 477,026              | 651,376             | 2,341,327            | 688,555             |
| 2,586,937           | 569,227              | 712,782             | 873,867              | 1,301,085           |
| <u>45,124,015</u>   | <u>45,209,190</u>    | <u>46,013,670</u>   | <u>43,509,755</u>    | <u>39,614,941</u>   |
| 740,393             | 878,795              | 1,330,781           | 945,873              | 396,903             |
| (10,986)            | 8,962                | -                   | -                    | -                   |
| <u>(2,586,937)</u>  | <u>(557,044)</u>     | <u>(712,782)</u>    | <u>(873,867)</u>     | <u>(1,301,085)</u>  |
| <u>(1,857,530)</u>  | <u>330,713</u>       | <u>617,999</u>      | <u>72,006</u>        | <u>(904,182)</u>    |
| <u>43,266,485</u>   | <u>45,539,903</u>    | <u>46,631,669</u>   | <u>43,581,761</u>    | <u>38,710,759</u>   |
| 11,177,280          | 11,873,959           | 8,564,912           | 7,536,207            | 6,830,571           |
| (1,873,794)         | (645,227)            | 228,051             | 4,443,812            | 1,694,810           |
| <u>\$ 9,303,486</u> | <u>\$ 11,228,732</u> | <u>\$ 8,792,963</u> | <u>\$ 11,980,019</u> | <u>\$ 8,525,381</u> |



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**CITY OF NORTH RICHLAND HILLS, TEXAS**

**Table 3**

Fund Balances - Governmental Funds  
(unaudited)

|                                       | <u>Fiscal Year<br/>2014</u> | <u>Fiscal Year<br/>2013</u> | <u>Fiscal Year<br/>2012</u> | <u>Fiscal Year<br/>2011</u> |
|---------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| General Fund                          |                             |                             |                             |                             |
| Nonspendables                         | \$ 450,459                  | \$ 669,275                  | \$ 707,569                  | \$ 926,707                  |
| Restricted                            | 476,163                     | 1,123,587                   | 868,715                     | 653,526                     |
| Committed                             | -                           | -                           | -                           | -                           |
| Assigned                              | 3,811,011                   | 3,963,333                   | 3,759,566                   | 1,848,329                   |
| Unassigned                            | 9,070,595                   | 9,186,072                   | 8,992,908                   | 9,838,310                   |
| Total General Fund                    | <u>\$ 13,808,228</u>        | <u>\$ 14,942,267</u>        | <u>\$ 14,328,758</u>        | <u>\$ 13,266,872</u>        |
| All Other Governmental Funds          |                             |                             |                             |                             |
| Nonspendables                         | \$ 50,288                   | \$ 27,002                   | \$ 47,202                   | \$ 30,308                   |
| Restricted                            | 74,611,779                  | 63,631,314                  | 60,696,117                  | 30,997,610                  |
| Committed                             | 1,070,103                   | 4,161,319                   | 3,622,301                   | 6,221,018                   |
| Assigned                              | 10,674,838                  | 17,280,746                  | 16,333,423                  | 6,480,459                   |
| Unassigned                            | -                           | -                           | -                           | -                           |
| Total all other<br>governmental funds | <u>\$ 86,407,008</u>        | <u>\$ 85,100,381</u>        | <u>\$ 80,699,043</u>        | <u>\$ 43,729,395</u>        |
| Total all governmental funds          | <u>\$ 100,215,236</u>       | <u>\$ 100,042,648</u>       | <u>\$ 95,027,801</u>        | <u>\$ 56,996,267</u>        |

Notes: GASB 54 Fund Balance reporting was implemented in 2011.

**CITY OF NORTH RICHLAND HILLS, TEXAS**  
Changes in Fund Balances - Governmental Funds  
Last Ten Fiscal Years

|   | <b>2014</b>         | <b>2013</b>         | <b>2012</b>          | <b>2011</b>         | <b>Fiscal<br/>2010</b> |
|---|---------------------|---------------------|----------------------|---------------------|------------------------|
| <b>Revenues</b>   |                     |                     |                      |                     |                        |
| Taxes   | \$ 47,625,477       | \$ 45,990,682       | \$ 43,777,983        | \$ 40,681,079       | \$ 40,842,538          |
| Licenses and permits                                    | 1,632,278           | 1,764,004           | 1,543,875            | 1,375,742           | 1,148,594              |
| Charges for services                                    | 6,681,429           | 6,800,050           | 6,715,031            | 6,076,625           | 7,588,891              |
| Gas utility leases and royalties                        | 1,187,340           |                     |                      |                     |                        |
| Fines   | 1,990,953           | 2,424,064           | 2,421,696            | 2,665,135           | 2,631,813              |
| Civil citations   | 990,714             | 923,282             | 778,393              | 674,745             | 726,274                |
| Contributions   | 199,825             | 140,385             | 176,740              | 187,813             | 192,501                |
| Special assessments                                     | -                   | 10,116              | 200                  | 8,748               | -                      |
| Investment income                                       | 319,622             | 177,178             | 415,326              | 383,453             | 538,193                |
| Intergovernmental                                       | 5,072,166           | 4,467,635           | 5,732,323            | 9,070,672           | 3,188,918              |
| Forfeitures   | 107,275             | 323,285             | 138,604              | 183,295             | 232,054                |
| Developer contributions                                 | 600,000             |                     |                      |                     |                        |
| Miscellaneous   | 388,858             | 1,318,985           | 1,363,579            | 445,214             | 1,876,282              |
| Total revenues  | <u>66,795,937</u>   | <u>64,339,666</u>   | <u>63,063,750</u>    | <u>61,752,521</u>   | <u>58,966,058</u>      |
| <b>Expenditures</b>                                     |                     |                     |                      |                     |                        |
| General government                                      | 10,155,142          | 10,673,511          | 10,829,793           | 10,311,297          | 10,435,250             |
| Public safety   | 29,022,814          | 28,317,163          | 26,959,990           | 25,934,692          | 24,697,961             |
| Culture and recreation                                  | 9,231,503           | 9,290,204           | 9,163,107            | 7,453,931           | 7,344,261              |
| Public works  | 2,924,516           | 3,563,149           | 3,601,659            | 2,416,186           | 2,518,081              |
| Capital outlay  | 30,729,875          | 10,208,747          | 15,945,071           | 15,475,441          | 14,301,095             |
| Debt service  |                     |                     |                      |                     |                        |
| Principal retirement                                    | 8,578,960           | 8,523,434           | 8,846,947            | 8,187,696           | 7,115,319              |
| Interest and fiscal charges                             | 3,924,385           | 3,659,348           | 3,092,172            | 2,194,444           | 2,161,325              |
| Total expenditures                                      | <u>94,567,195</u>   | <u>74,235,556</u>   | <u>78,438,739</u>    | <u>71,973,687</u>   | <u>68,573,292</u>      |
| Excess (deficiency) of revenues over expenditures       | <u>(27,771,258)</u> | <u>(9,895,890)</u>  | <u>(15,374,989)</u>  | <u>(10,221,166)</u> | <u>(9,607,234)</u>     |
| <b>Other Financing Sources (Uses)</b>                   |                     |                     |                      |                     |                        |
| Issuance of debt  | 24,360,000          | 9,845,000           | 26,224,251           | 7,315,000           | 9,186,475              |
| Premium on issuance of debt                             | 310,000             | 300,486             | 546,164              | 358,270             | 42,075                 |
| Proceeds from refunding of debt                         | 3,936,985           | -                   | 3,699,388            | -                   | -                      |
| Payment to refunded bond escrow agent                   | (3,936,985)         | -                   | (3,809,076)          | -                   | -                      |
| Insurance recovery proceeds                             | -                   | -                   | -                    | -                   | -                      |
| Proceeds from sale of assets                            | 19,500              | 799,045             | 3,145,280            | 806,479             | 34,678                 |
| Payment in lieu of taxes                                | -                   | -                   | -                    | -                   | -                      |
| Transfers in  | 16,597,422          | 7,782,662           | 8,705,604            | 5,659,688           | 8,158,092              |
| Transfers out   | <u>(13,343,076)</u> | <u>(3,816,456)</u>  | <u>(4,842,779)</u>   | <u>(4,304,576)</u>  | <u>(7,540,830)</u>     |
| Total other financing sources (uses)                    | <u>27,943,846</u>   | <u>14,910,737</u>   | <u>33,668,832</u>    | <u>9,834,861</u>    | <u>9,880,490</u>       |
| Net change in fund balances                             | <u>\$ 172,588</u>   | <u>\$ 5,014,847</u> | <u>\$ 18,293,843</u> | <u>\$ (386,305)</u> | <u>\$ 273,256</u>      |
| Debt service as a percentage of noncapital expenditures | 24.4%               | 23.5%               | 23.6%                | 22.5%               | 20.6%                  |

Table 4

| Year          | 2008          | 2007          | 2006          | 2005           |
|---------------|---------------|---------------|---------------|----------------|
| \$ 40,736,934 | \$ 41,721,138 | \$ 40,393,165 | \$ 39,296,101 | \$ 37,565,652  |
| 988,020       | 1,705,703     | 1,526,636     | 2,251,292     | 1,473,542      |
| 6,562,241     | 6,461,012     | 6,335,104     | 6,354,199     | 6,185,782      |
| 2,677,901     | 2,394,920     | 2,064,187     | 2,130,968     | 1,787,547      |
| 999,584       | 825,191       | -             | -             | -              |
| 160,194       | 196,320       | 170,326       | 177,273       | 178,937        |
| 276,475       | 154,125       | 28,225        | 8,348         | 514            |
| 1,250,127     | 1,678,921     | 2,258,877     | 1,719,493     | 922,870        |
| 2,477,191     | 1,200,491     | 1,267,839     | 1,730,684     | 1,792,392      |
| 146,830       | 142,874       | 74,448        | 86,752        | 70,117         |
| 517,492       | 6,634,802     | 939,241       | 1,431,192     | 1,070,874      |
| 56,792,989    | 63,115,497    | 55,058,048    | 55,186,302    | 51,048,227     |
| 9,459,393     | 9,054,489     | 8,607,293     | 9,329,442     | 8,553,540      |
| 25,262,159    | 26,051,508    | 23,414,877    | 22,049,690    | 21,289,538     |
| 8,545,815     | 7,241,596     | 6,684,263     | 6,431,291     | 6,331,728      |
| 2,478,800     | 2,663,001     | 2,522,751     | 2,468,819     | 2,536,838      |
| 10,506,569    | 5,137,596     | 3,742,378     | 4,909,101     | 9,404,434      |
| 5,699,394     | 6,188,393     | 6,697,217     | 6,462,905     | 6,695,455      |
| 2,048,696     | 2,225,585     | 2,281,930     | 2,349,160     | 2,665,828      |
| 64,000,826    | 58,562,168    | 53,950,709    | 54,000,408    | 57,477,361     |
| (7,207,837)   | 4,553,329     | 1,107,339     | 1,185,894     | (6,429,134)    |
| 8,503,525     | 4,465,000     | 2,185,000     | 3,625,000     | -              |
| 242           | -             | -             | -             | -              |
| -             | -             | 5,085,000     | 8,245,000     | -              |
| -             | -             | (5,075,787)   | (8,100,166)   | -              |
| -             | -             | 282,000       | -             | -              |
| 188,512       | 16,353        | 9,864         | -             | -              |
| -             | 355,004       | -             | -             | -              |
| 9,274,945     | 5,918,639     | 5,812,148     | 4,436,800     | 3,749,968      |
| (7,759,444)   | (5,899,649)   | (5,990,349)   | (5,710,150)   | (3,794,426)    |
| 10,207,780    | 4,855,347     | 2,307,876     | 2,496,484     | (44,458)       |
| \$ 2,999,943  | \$ 9,408,676  | \$ 3,415,215  | \$ 3,682,378  | \$ (6,473,592) |
| 16.9%         | 18.7%         | 21.8%         | 21.9%         | 24.2%          |

**CITY OF NORTH RICHLAND HILLS, TEXAS**

Appraised and Taxable Value of Property

Last Ten Fiscal Years

(unaudited)

| <b>Fiscal Year</b> | <b>Appraised Residential Property</b> | <b>Appraised Commercial Property</b> | <b>Appraised Industrial Property</b> | <b>Appraised Other Property (1)</b> |
|--------------------|---------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|
| 2005               | 2,125,365,452                         | 660,915,079                          | 25,319,238                           | 371,683,707                         |
| 2006               | 2,208,222,079                         | 693,344,286                          | 23,766,206                           | 396,694,369                         |
| 2007               | 2,322,672,063                         | 706,800,208                          | 24,219,035                           | 432,473,733                         |
| 2008               | 2,454,968,837                         | 732,299,884                          | 25,008,737                           | 482,924,193                         |
| 2009               | 2,527,941,808                         | 723,655,894                          | 24,685,405                           | 603,634,230                         |
| 2010               | 2,536,677,612                         | 755,382,876                          | 24,238,120                           | 588,109,765                         |
| 2011               | 2,599,141,890                         | 719,345,087                          | 23,749,165                           | 837,360,868                         |
| 2012               | 2,611,659,424                         | 686,273,536                          | 24,818,749                           | 940,103,263                         |
| 2013               | 2,655,417,917                         | 720,473,286                          | 24,346,385                           | 923,522,505                         |
| 2014               | 2,723,398,788                         | 734,575,403                          | 25,428,750                           | 982,712,831                         |

Source: Tarrant Appraisal District Certified Tax Roll, July 25, City budget (2007-2014)

Tarrant Appraisal District September Report, City budget (2005-2006)

(1) This category includes properties under protest with the appraisal review board and properties classified as incomplete by Tarrant Appraisal District at the time NRH City Council approves the Tax Rolls for the budget year. The net taxable values are those approved by City Council by resolution.

**Table 5**

| <b>Personal<br/>Property</b> | <b>Less:<br/>Tax-Exempt<br/>Property</b> | <b>Net Taxable<br/>Value</b> | <b>Total Direct<br/>Tax Rate</b> |
|------------------------------|--|------------------------------|----------------------------------|
| 347,217,730                  | 397,233,578                              | 3,133,267,628                | 0.57000                          |
| 361,559,520                  | 388,297,207                              | 3,295,289,253                | 0.57000                          |
| 342,337,515                  | 421,361,355                              | 3,407,141,199                | 0.57000                          |
| 318,594,946                  | 438,489,302                              | 3,575,307,295                | 0.57000                          |
| 331,545,812                  | 451,978,018                              | 3,759,485,131                | 0.57000                          |
| 311,291,262                  | 465,272,083                              | 3,750,427,552                | 0.57000                          |
| 302,449,010                  | 879,728,308                              | 3,602,317,712                | 0.57000                          |
| 302,955,622                  | 947,626,573                              | 3,618,184,021                | 0.57000                          |
| 312,039,668                  | 903,068,001                              | 3,732,731,760                | 0.61000                          |
| 311,311,919                  | 936,363,242                              | 3,841,064,449                | 0.61000                          |

**CITY OF NORTH RICHLAND HILLS, TEXAS**  
Property Tax Rates - Direct and Overlapping Governments  
(per \$100 assessed value)  
(unaudited)

| <b>Fiscal<br/>Year</b> | <b>City of North Richland Hills</b> |                                  |                  |
|------------------------|-------------------------------------|----------------------------------|------------------|
|                        | <b>General<br/>fund (3)</b>         | <b>Debt service<br/>fund (3)</b> | <b>Total (3)</b> |
| 2005                   | 0.33173                             | 0.23827                          | 0.57000          |
| 2006                   | 0.34432                             | 0.22568                          | 0.57000          |
| 2007                   | 0.34695                             | 0.22305                          | 0.57000          |
| 2008                   | 0.34241                             | 0.22759                          | 0.57000          |
| 2009                   | 0.33875                             | 0.23125                          | 0.57000          |
| 2010                   | 0.35412                             | 0.21588                          | 0.57000          |
| 2011                   | 0.37022                             | 0.19978                          | 0.57000          |
| 2012                   | 0.35642                             | 0.21358                          | 0.57000          |
| 2013                   | 0.35108                             | 0.25892                          | 0.61000          |
| 2014                   | 0.34904                             | 0.26096                          | 0.61000          |

- Sources:
- (1) Tarrant County.
  - (2) Birdville Independent School District for 2005.
  - (3) City records.
  - (4) Began using Tarrant County as source in 2006.

**Table 6**

| <u>Junior college (1)</u> | <u>Birdville school district (1)(2)</u> | <u>Hospital (1)</u> | <u>County (1)</u> | <u>Total</u> |
|---------------------------|---|---------------------|-------------------|--------------|
| 0.13938                   | 1.61700                                 | 0.23540             | 0.27250           | 2.83428      |
| 0.13938                   | 1.61700 (4)                             | 0.23540             | 0.27250           | 2.83428      |
| 0.13938                   | 1.56500                                 | 0.23540             | 0.27150           | 2.78128      |
| 0.13938                   | 1.40500                                 | 0.23040             | 0.26650           | 2.61128      |
| 0.13796                   | 1.41000                                 | 0.22790             | 0.26400           | 2.60986      |
| 0.13767                   | 1.40500                                 | 0.22790             | 0.26400           | 2.60457      |
| 0.13764                   | 1.42500                                 | 0.22790             | 0.26400           | 2.62454      |
| 0.14897                   | 1.43500                                 | 0.22790             | 0.26400           | 2.64587      |
| 0.14897                   | 1.43500                                 | 0.22790             | 0.26400           | 2.68587      |
| 0.14950                   | 1.43500                                 | 0.22790             | 0.26400           | 2.68640      |



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**CITY OF NORTH RICHLAND HILLS, TEXAS**  
Principal Taxpayers  
(unaudited)

**Table 7**

**Year Ended September 30, 2014**

| <u>Taxpayer</u>             | <u>Type of business</u>  | <u>2013 assessed valuation*</u> | <u>Percentage of total assessed valuation</u> |
|-----------------------------|--------------------------|---------------------------------|---|
| Wal-Mart                    | Retail                   | \$ 60,397,047                   | 1.62%   |
| Columbia N Hills Hosp Sub   | Healthcare Provider      | 43,297,546                      | 1.16%   |
| BGPC Equestrian             | Real Estate              | 32,500,000                      | 0.87%   |
| Ap Wp N Richland Hills Reit | Multi Family             | 31,000,000                      | 0.83%   |
| AP Wp Green Reit LLC        | Multi Family             | 28,000,000                      | 0.75%   |
| Oncor Electric Delivery Co. | Utility Service Provider | 27,953,588                      | 0.75%   |
| Company One, LLC            | Real Estate              | 25,625,000                      | 0.69%   |
| Venue at Home Town LTD ETAL | Property Developer       | 23,749,650                      | 0.64%   |
| Chesapeake Operating (Wi)   | Gas Utility              | 23,749,650                      | 0.64%   |
| Tyson Prepared Foods Inc    | Food Manufacturer        | 18,888,152                      | 0.51%   |
|                             |                          | <u>\$ 315,160,633</u>           | <u>8.44%</u>                                  |

**Year Ended September 30, 2005**

| <u>Taxpayer</u>                | <u>Type of business</u>  | <u>2004 assessed valuation*</u> | <u>Percentage of total assessed valuation</u> |
|--------------------------------|--------------------------|---------------------------------|---|
| Walmart                        | Retail                   | \$ 60,697,499                   | 1.94%   |
| Home Depot, Inc.               | Retail                   | 46,877,067                      | 1.50%   |
| Kimberly-Clark/Tecnol, Inc.    | Manufacturer             | 38,893,328                      | 1.24%   |
| Food Brands America, Inc.      | Manufacturer             | 29,038,727                      | 0.93%   |
| Alliance Park Portfolio, LLC   | Real Estate              | 25,774,255                      | 0.82%   |
| Five Star Ford/Pack Properties | Automotive Dealership    | 21,311,951                      | 0.68%   |
| ONCOR Electric Delivery        | Utility Service Provider | 21,103,399                      | 0.67%   |
| Meadows NRH Associates LP      | Real Estate              | 20,572,012                      | 0.66%   |
| Mega Life & Health Ins. Co.    | Insurance                | 20,136,736                      | 0.64%   |
| Bluffs Iron Horse Ltd.         | Real Estate              | 17,964,408                      | 0.57%   |
|                                |                          | <u>\$ 302,369,382</u>           | <u>9.65%</u>                                  |

\* Source: Tarrant Appraisal District.

**CITY OF NORTH RICHLAND HILLS, TEXAS**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**  
**(unaudited)**

| <b>Fiscal Year</b> | <b>Total tax levy</b> | <b>Collected within the Fiscal Year of the Levy</b> |                        | <b>Collections in Subsequent Years</b> |
|--------------------|-----------------------|---|------------------------|--|
|                    |                       | <b>Amount</b>                                       | <b>Percent of levy</b> |  |
| 2005               | 17,859,625            | 17,679,906  | 98.99%                 | \$ 155,306                             |
| 2006               | 18,783,149            | 18,461,867  | 98.29%                 | \$ 299,027                             |
| 2007               | 19,420,705            | 19,133,840  | 98.52%                 | \$ 262,947                             |
| 2008               | 20,379,252            | 19,980,714  | 98.04%                 | \$ 371,277                             |
| 2009               | 21,429,065            | 21,268,426  | 99.25%                 | \$ 123,798                             |
| 2010               | 21,377,437            | 21,115,928  | 98.78%                 | \$ 214,032                             |
| 2011               | 20,533,211            | 20,281,233  | 98.77%                 | \$ 201,579                             |
| 2012               | 20,623,649            | 20,370,425  | 98.77%                 | \$ 195,763                             |
| 2013               | 22,769,664            | 22,175,814  | 97.39%                 | \$ 498,732                             |
| 2014               | 23,430,493            | 22,797,806  | 97.30%                 | \$ 460,351                             |

**Table 8**

| <b>Total Collections to Date</b> |                        |
|----------------------------------|------------------------|
| <b>Amount</b>                    | <b>Percent of Levy</b> |
| 17,835,212                       | 99.86%                 |
| 18,760,894                       | 99.88%                 |
| 19,396,787                       | 99.88%                 |
| 20,351,992                       | 99.87%                 |
| 21,392,224                       | 99.83%                 |
| 21,329,960                       | 99.78%                 |
| 20,482,813                       | 99.75%                 |
| 20,566,188                       | 99.72%                 |
| 22,674,545                       | 99.58%                 |
| 23,258,156.52                    | 99.26%                 |

**CITY OF NORTH RICHLAND HILLS, TEXAS**

**Table 9**

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years  
(unaudited)

(dollars in thousands, except per capita)

| Fiscal Year | Estimated population (1) | Net Taxable value (2) | General Bonded Debt      |                            |               | Total general bonded debt | Percentage of Net Taxable value | General Bonded Debt per capita (1) | Other gov't Activities Debt Sales tax revenue bonds |
|-------------|--------------------------|-----------------------|--------------------------|----------------------------|---------------|---------------------------|---------------------------------|------------------------------------|---|
|             |                          |                       | General obligation bonds | Certificates of obligation | Loans payable |                           |                                 |                                    |   |
| 2005        | 61,668                   | 3,133,268             | 35,733                   | 14,481                     | -             | 50,214                    | 1.60%                           | 814                                | 7,095   |
| 2006        | 63,521                   | 3,295,289             | 38,024                   | 11,048                     | -             | 49,072                    | 1.49%                           | 773                                | 6,270   |
| 2007        | 64,050                   | 3,407,141             | 37,821                   | 7,842                      | -             | 45,663                    | 1.34%                           | 713                                | 5,410   |
| 2008        | 65,750                   | 3,575,307             | 37,823                   | 7,041                      | -             | 44,864                    | 1.25%                           | 682                                | 4,520   |
| 2009        | 66,100                   | 3,759,485             | 39,810                   | 7,229                      | 1,550         | 48,589                    | 1.29%                           | 735                                | 3,600   |
| 2010        | 66,400                   | 3,750,428             | 41,725                   | 8,255                      | 1,625         | 51,605                    | 1.38%                           | 777                                | 2,640   |
| 2011        | 63,420                   | 3,602,318             | 41,000                   | 9,575                      | 1,242         | 51,817                    | 1.44%                           | 817                                | 1,645   |
| 2012        | 63,420                   | 3,618,184             | 64,269                   | 33,330                     | 840           | 98,439                    | 2.72%                           | 1,552                              | 615   |
| 2013        | 63,420                   | 3,732,732             | 68,945                   | 30,910                     | 311           | 100,166                   | 2.68%                           | 1,579                              | 210   |
| 2014        | 65,690                   | 3,841,064             | 79,927                   | 36,050                     | -             | 115,977                   | 3.02%                           | 1,766                              | 105   |

| Fiscal Year | Business-Type Activities    |                          |                            |                         |                | Total business-type activities | Total (3) primary government | Total bonded debt per capita (1) | Percentage of per capita income (1) |
|-------------|-----------------------------|--------------------------|----------------------------|-------------------------|----------------|--------------------------------|------------------------------|----------------------------------|-------------------------------------|
|             | Water & sewer revenue bonds | General obligation bonds | Certificates of obligation | Contractual obligations | Capital leases |                                |                              |                                  |                                     |
| 2005        | -                           | 3,598                    | 5,018                      | -                       | 40             | 8,656                          | 65,965                       | 1,070                            | 3.58%                               |
| 2006        | -                           | 4,255                    | 4,589                      | -                       | -              | 8,844                          | 64,186                       | 1,010                            | 3.30%                               |
| 2007        | -                           | 3,537                    | 4,866                      | -                       | -              | 8,403                          | 59,476                       | 929                              | 2.94%                               |
| 2008        | -                           | 2,790                    | 6,865                      | -                       | -              | 9,655                          | 59,038                       | 898                              | 2.87%                               |
| 2009        | -                           | 2,350                    | 11,254                     | -                       | -              | 13,604                         | 65,793                       | 995                              | 3.31%                               |
| 2010        | -                           | 1,890                    | 11,285                     | -                       | -              | 13,175                         | 67,420                       | 1,015                            | 3.40%                               |
| 2011        | -                           | 1,405                    | 12,610                     | -                       | -              | 14,015                         | 67,477                       | 1,064                            | 3.37%                               |
| 2012        | -                           | 2,210                    | 16,415                     | -                       | 388            | 19,013                         | 118,067                      | 1,862                            | 5.97%                               |
| 2013        | -                           | 1,760                    | 15,300                     | -                       | 317            | 17,377                         | 117,753                      | 1,857                            | 5.79%                               |
| 2014        | -                           | 1,693                    | 15,280                     | -                       | 245            | 17,218                         | 133,300                      | 2,029                            | 6.39%                               |

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

(1) See Table 13 for additional population statistics.

(2) See Table 5 for additional information on net taxable value.

(3) Includes general bonded debt, other governmental activities debt, and business-type activities debt.

**CITY OF NORTH RICHLAND HILLS, TEXAS**

Table 10

Computation of Direct and Overlapping Debt

September 30, 2014

(unaudited)

| <u>Jurisdiction</u>                   | <u>Net bonded<br/>debt<br/>outstanding</u> | <u>Percentage<br/>applicable to<br/>City of North<br/>Richland Hills (2)</u> | <u>Amount<br/>applicable to<br/>City of North<br/>Richland Hills</u> |
|---------------------------------------|--|--|--|
| City of North Richland Hills          | \$ 132,950,000 (1)                         | 100.00%  | \$ 132,950,000   |
| Birdville Independent School District | 188,860,198                                | 45.81%   | 86,516,857   |
| Hurst-Eules-Bedford                   |  |  |  |
| Independent School District           | 290,687,648                                | 0.07%  | 203,481  |
| Keller Independent School District    | 654,308,399                                | 3.91%  | 25,583,458   |
| Tarrant County                        | 317,820,000                                | 3.04%  | 9,661,728  |
| Tarrant County Hospital District      | 7,935,000                                  | 3.02%  | 239,637  |
| Tarrant County College District       | 24,425,000                                 | 3.03%  | 740,078  |
| Total overlapping debt                |  |  | <u>122,945,239</u>   |
| Total direct and overlapping debt     |  |  | \$ <u><u>255,895,239</u></u>   |

Source: First Southwest and respective entities' records.

(1) Less - self-supporting debt

(2) First Southwest - "Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax debt ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined."

**CITY OF NORTH RICHLAND HILLS, TEXAS**

**Table 11**

Computation of Legal Debt Margin

September 30, 2014

(unaudited)

Article XI, Section 5 of the State of Texas Constitution states in part: "...no tax for any purpose shall ever be lawful for any one year, which shall exceed two and one-half percent of the taxable property of such city."

As a home rule city, the City of North Richland Hills is not limited by 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 2014 was established at \$.61 per \$100 of assessed valuation based on 100% of appraised value.

**CITY OF NORTH RICHLAND HILLS, TEXAS**  
Pledged Revenue Coverage  
Last Ten Fiscal Years  
(unaudited)

**Table 12**

| Fiscal Year | <b>Park and Recreation Facilities Development Sales Tax Revenue Bonds</b> |                            |                       |              |          |           |          |
|-------------|---|----------------------------|-----------------------|--------------|----------|-----------|----------|
|             | Sales Tax Revenues  | Less: Current Expenditures | Net Revenue Available | Debt Service |          |           | Coverage |
|             |   |                            |                       | Principal    | Interest | Total (1) |          |
| 2005        | 3,855,727   | 2,130,866                  | 1,724,861             | 795,000      | 348,170  | 1,143,170 | 1.51     |
| 2006        | 4,047,737   | 2,411,932                  | 1,635,805             | 825,000      | 312,553  | 1,137,553 | 1.44     |
| 2007        | 4,284,040   | 2,426,805                  | 1,857,235             | 860,000      | 278,083  | 1,138,083 | 1.63     |
| 2008        | 4,410,260   | 2,824,368                  | 1,585,892             | 890,000      | 291,953  | 1,181,953 | 1.34     |
| 2009        | 4,077,162   | 2,990,209 (2)              | 1,086,953             | 920,000      | 187,763  | 1,107,763 | 0.98     |
| 2010        | 4,211,692   | 3,027,159                  | 1,184,533             | 960,000      | 167,000  | 1,127,000 | 1.05     |
| 2011        | 4,179,388   | 3,284,467                  | 894,921               | 995,000      | 123,349  | 1,118,349 | 0.80     |
| 2012        | 4,241,341   | 5,580,061                  | (1,338,720) (4)       | 1,030,000    | 80,075   | 1,110,075 | -1       |
| 2013        | 4,343,358   | 5,729,298 (5)              | (1,385,940) (4)       | 405,000      | 31,315   | 436,315   | -3 (3)   |
| 2014        | 4,506,169   | 5,559,713 (5)              | (1,053,544) (4)       | 355,000      | 117,243  | 472,243   | -2       |

(1) Includes interest and fiscal agent charges.

(2) 2009 current expenditures totaling \$4,090,209 found in the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances for Nonmajor Governmental Funds includes a one time TIF transfer of \$1.1M for the Recreation Center project. For purposes of pledged revenue coverage current expenditures have been reduced by this amount.

(3) The Reserve balance is in compliance with the bond covenant as of 9/30/2013.

(4) Bond covenant for sales tax revenue bonds mandates sufficient fund balance to cover average debt service payments unpaid. Negative coverage indicates that fund balance reserves are being used to cover debt service requirements. The City has sufficient fund balance coverage to pay all debt service due.

(5) Excludes capital outlay

**CITY OF NORTH RICHLAND HILLS, TEXAS**  
Demographic Statistics  
Last Ten Fiscal Years  
(unaudited)

**Table 13**

| <b>Fiscal Year</b> | <b>Estimated population (2)</b> | <b>Median income (6)</b> | <b>Per capita income (6)</b> | <b>Median age (6)</b> | <b>Education level (6) (7)</b> | <b>School enrollment (1) (5)</b> | <b>Unemployment rate (3)</b> |
|--------------------|---------------------------------|--------------------------|------------------------------|-----------------------|--------------------------------|----------------------------------|------------------------------|
| 2005               | 61,668                          | 65,421                   | 29,881                       | 35.6                  | 90%                            | (4) 10,873                       | 4.4                          |
| 2006               | 63,521                          | 66,215                   | 30,641                       | 35.8                  | 90%                            | (4) 10,827                       | 4.1                          |
| 2007               | 64,050                          | 67,951                   | 31,558                       | 35.9                  | 90%                            | (4) 10,724                       | 3.8                          |
| 2008               | 65,750                          | 69,669                   | 31,278                       | 35.6                  | 91%                            | 10,972                           | 4.7                          |
| 2009               | 66,100                          | 67,850                   | 30,084                       | 35.6                  | 91%                            | 11,179                           | 5.5                          |
| 2010               | 66,400                          | 68,082                   | 29,882                       | 35.6                  | 91%                            | 11,431                           | 6.9                          |
| 2011               | 63,420 (8)                      | 63,594                   | 31,615                       | 38                    | 91%                            | 11,615                           | 7.3                          |
| 2012               | 63,420                          | 78,911                   | 31,175                       | 38.2                  | 91%                            | 10,843                           | 6.3                          |
| 2013               | 63,420                          | 82,051                   | 32,079                       | 38.4                  | 91%                            | 10,883                           | 5.5                          |
| 2014               | 65,690                          | 81,100                   | 31,766                       | 38.5                  | 95%                            | 10,795                           | 4.9                          |

Sources:

- (1) Birdville Independent School District
- (2) North Central Texas Council of Governments and City estimates
- (3) Texas Employment Commission
- (4) Haltom Richland Chamber of Commerce (2005-2007)
- (5) Includes North Richland Hills students only
- (6) ESRI Business Information Solutions, Inc (2005-2014)
- (7) Reported as a percentage of residents with a high school diploma or greater
- (8) Population was adjusted based on census.

**CITY OF NORTH RICHLAND HILLS, TEXAS**

**Table 14**

Principal Employers  
(unaudited)

**Year Ended September 30, 2014**

| <u>Employer</u>                                 | <u>Employees<sup>3</sup></u> | <u>Rank</u> | <u>Percentage of total City employment*</u> |
|---|------------------------------|-------------|---|
| Santander Consumer USA, Inc.                    | 1,650                        | 1           | 4.60%                                       |
| Wal-Mart Supercenters                           | 865                          | 2           | 2.41%                                       |
| Birdville ISD <sup>1</sup>                      | 809                          | 3           | 2.26%                                       |
| North Hills Hospital                            | 785                          | 4           | 2.19%                                       |
| HealthMarkets                                   | 607                          | 5           | 1.69%                                       |
| City of North Richland Hills                    | 539                          | 6           | 1.50%                                       |
| Tarrant County College - NE Campus <sup>2</sup> | 479                          | 7           | 1.34%                                       |
| Silverleaf Resorts                              | 386                          | 8           | 1.08%                                       |
| Tyson Prepared Foods                            | 380                          | 9           | 1.06%                                       |
| Con-Way Freight, Inc.                           | 290                          | 10          | 0.81%                                       |
|   | <u>6,790</u>                 |             | <u>18.94%</u>                               |

**Year Ended September 30, 2005**

| <u>Employer</u>              | <u>Employees</u> | <u>Rank</u> | <u>Percentage of total City employment*</u> |
|------------------------------|------------------|-------------|---|
| UICI - The Insurance Center  | 1,295            | 1           | 5.32%                                       |
| Birdville ISD                | 1,089            | 2           | 4.47%                                       |
| North Hills Hospital         | 762              | 3           | 3.13%                                       |
| Triad Financial Corporation  | 750              | 4           | 3.08%                                       |
| Wal-Mart Supercenter         | 730              | 5           | 3.00%                                       |
| City of North Richland Hills | 570              | 6           | 2.34%                                       |
| TCC - NE Campus <sup>2</sup> | 472              | 7           | 1.94%                                       |
| Tyson Prepared Foods         | 450              | 8           | 1.85%                                       |
| CTS Con-Way Transportation   | 282              | 9           | 1.16%                                       |
| Five Star Ford               | 265              | 10          | 1.09%                                       |
|                              | <u>6,665</u>     |             | <u>27.37%</u>                               |

<sup>1</sup> Number denotes employees working in schools in the City of NRH

<sup>2</sup> Split with Hurst

<sup>3</sup> Actual number of employees employed at time of reporting

\* Source: City records



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**CITY OF NORTH RICHLAND HILLS, TEXAS**  
 Full-time Equivalent Municipal Employees by Function/Program  
 Last Ten Fiscal Years  
 (unaudited)

Table 15

|                               | Fiscal Year   |               |               |               |               |               |               |               |               |               |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                               | 2014          | 2013          | 2012          | 2011          | 2010          | 2009          | 2008          | 2007          | 2006          | 2005          |
| <b>General government</b>     |               |               |               |               |               |               |               |               |               |               |
| Administration                | 4.70          | 4.70          | 4.70          | 4.70          | 3.70          | 4.75          | 5.25          | 5.25          | 5.25          | 5.25          |
| Public information            | 4.00          | 4.00          | 4.00          | 4.00          | 5.00          | 5.00          | 5.00          | 5.00          | 5.00          | 5.00          |
| Judicial                      | 15.00         | 15.00         | 15.00         | 15.00         | 15.50         | 15.50         | 16.50         | 14.00         | 14.00         | 14.00         |
| Finance                       | 23.00         | 22.00         | 23.00         | 23.00         | 23.00         | 23.50         | 23.50         | 23.50         | 24.50         | 24.50         |
| Nondepartmental               | 1.00          | 1.00          | 1.00          | 1.00          | 1.00          | 1.00          | 1.00          | 1.00          | 1.00          | 1.00          |
| Human resources               | 1.00          | 1.00          | 1.00          | 1.00          | 1.00          | 1.00          | 1.00          | 1.00          | 1.00          | 1.00          |
| Planning and inspections      | 10.30         | 10.30         | 8.30          | 8.30          | 9.30          | 11.30         | 11.30         | 12.30         | 11.30         | 11.30         |
| Neighborhood services         | 18.75         | 18.75         | 18.75         | 18.75         | 18.75         | 19.75         | 18.75         | 18.75         | 18.66         | 18.66         |
| Budget and research           | 3.00          | 3.00          | 3.00          | 3.00          | 3.00          | 3.00          | 3.00          | 3.00          | 3.00          | 3.00          |
| Public relations              | 3.75          | 3.75          | 3.75          | 3.75          | 6.75          | 6.75          | 6.75          | 7.19          | 7.19          | 7.19          |
| Total general government      | <u>84.50</u>  | <u>83.50</u>  | <u>82.50</u>  | <u>82.50</u>  | <u>87.00</u>  | <u>91.55</u>  | <u>92.05</u>  | <u>90.99</u>  | <u>90.90</u>  | <u>90.90</u>  |
| <b>Public safety</b>          |               |               |               |               |               |               |               |               |               |               |
| Police                        | 189.88        | 187.88        | 186.88 (1)    | 165.20        | 164.22        | 165.22        | 164.65        | 159.65        | 159.65        | 159.39        |
| Fire                          | 91.00         | 91.00         | 90.00         | 88.00         | 91.00         | 91.00         | 91.00         | 92.00         | 92.00         | 92.00         |
| Total public safety           | <u>280.88</u> | <u>278.88</u> | <u>276.88</u> | <u>253.20</u> | <u>255.22</u> | <u>256.22</u> | <u>255.65</u> | <u>251.65</u> | <u>251.65</u> | <u>251.39</u> |
| <b>Culture and recreation</b> |               |               |               |               |               |               |               |               |               |               |
| Parks and recreation          | 162.70        | 160.25 (2)    | 145.55        | 121.53        | 118.76        | 118.90        | 120.22        | 120.30        | 114.94        | 115.10        |
| Library                       | 27.11         | 27.11         | 27.11         | 28.58         | 28.16         | 28.16         | 28.16         | 23.33         | 23.33         | 23.33         |
| Economic development          | 3.00          | 4.00          | 3.00          | 3.00          | 3.00          | 3.00          | 3.00          | 3.00          | 3.00          | 3.00          |
| Total culture and recreation  | <u>192.81</u> | <u>191.36</u> | <u>175.66</u> | <u>153.11</u> | <u>149.92</u> | <u>150.06</u> | <u>151.38</u> | <u>146.63</u> | <u>141.27</u> | <u>141.43</u> |
| <b>Public works</b>           | <u>78.18</u>  | <u>79.68</u>  | <u>77.68</u>  | <u>77.68</u>  | <u>78.68</u>  | <u>79.68</u>  | <u>80.18</u>  | <u>79.18</u>  | <u>76.18</u>  | <u>76.18</u>  |
| <b>Internal services</b>      |               |               |               |               |               |               |               |               |               |               |
| Building services             | 15.73         | 15.23         | 16.23         | 16.23         | 16.36         | 16.36         | 15.86         | 14.23         | 14.23         | 14.23         |
| Equipment services            | 13.00         | 13.00         | 13.00         | 13.00         | 13.50         | 11.65         | 11.65         | 11.65         | 11.65         | 11.65         |
| Self-insurance                | 5.10          | 5.10          | 5.10          | 5.10          | 5.10          | 6.00          | 6.00          | 6.00          | 6.00          | 6.00          |
| Information services          | 12.00         | 12.00         | 11.00         | 11.00         | 11.00         | 12.00         | 12.00         | 12.00         | 12.00         | 12.00         |
| Total internal services       | <u>45.83</u>  | <u>45.33</u>  | <u>45.33</u>  | <u>45.33</u>  | <u>45.96</u>  | <u>46.01</u>  | <u>45.51</u>  | <u>43.88</u>  | <u>43.88</u>  | <u>43.88</u>  |
| Total full-time equivalents   | <u>682.20</u> | <u>678.75</u> | <u>658.05</u> | <u>611.82</u> | <u>616.77</u> | <u>623.52</u> | <u>624.77</u> | <u>612.33</u> | <u>603.88</u> | <u>603.78</u> |

Source: City operating budget

(1) Consolidated services with Haltom City, City of Richland Hills and City of Watauga for Communication & Detention Centers

(2) Increase due to new staff members for the Recreation Center

**CITY OF NORTH RICHLAND HILLS, TEXAS**  
 Operating Indicators by Function/Program  
 Last Ten Fiscal Years  
 (unaudited)

|                                    | Fiscal Year   |               |                   |               |
|------------------------------------|---------------|---------------|-------------------|---------------|
|                                    | 2014          | 2013          | 2012              | 2011          |
| <b>General government</b>          |               |               |                   |               |
| Planning and Inspections           |               |               |                   |               |
| Construction                       |               |               |                   |               |
| Commercial units                   | 35            | 25            | 91 (13)           | 24            |
| Commercial value                   | \$ 14,309,733 | \$ 15,498,935 | \$ 7,533,480 (13) | \$ 3,489,824  |
| Residential units                  | 321           | 189           | 168               | 122           |
| Residential value                  | \$ 27,754,692 | \$ 46,472,244 | \$ 42,138,527     | \$ 27,218,868 |
| <b>Public safety</b>               |               |               |                   |               |
| Police                             |               |               |                   |               |
| Law violations (1)                 | 3,014         | 3,215         | 3,463             | 3,574 (9)     |
| Part one offenses                  | 1,644         | 1,960         | 1,791             | 2,075 (9)     |
| Traffic violations                 | 17,052        | 22,215        | 22,155            | 20,733        |
| Calls for service                  | 107,393       | 114,269       | 115,644           | 137,243       |
| Case clearance %                   | 23%           | 58%           | 26%               | 42%           |
| Fire                               |               |               |                   |               |
| Total responses                    | 7,276         | 7,189         | 7,064             | 6,850         |
| Fire responses                     | 2,412         | 2,275         | 2,235             | 1,762         |
| EMS responses                      | 4,864         | 4,914         | 4,829             | 5,088         |
| % responses < 5 minutes            | 70%           | 58%           | 70%               | 51% (10)      |
| Total inspections                  | 1,201         | 768 (14)      | - (12)            | 2,005 (11)    |
| <b>Culture and recreation</b>      |               |               |                   |               |
| Parks and recreation               |               |               |                   |               |
| Water park admissions              | 219,077       | 242,490       | 272,336           | 270,845       |
| Golf rounds played                 | 45,339        | 48,229        | 50,524            | 51,264        |
| Library                            |               |               |                   |               |
| Number of volumes                  | 188,586       | 204,302       | 206,840           | 200,982       |
| Annual circulation                 | 854,452       | 771,994       | 947,883           | 840,667       |
| Annual loans per capita            | 13.01         | 12.17         | 14.95             | 13.26         |
| <b>Public works</b>                |               |               |                   |               |
| Water                              |               |               |                   |               |
| Avg daily consumption (3)          | 1,219,696     | 1,278,326     | 1,306,524         | 1,521,220     |
| Peak daily consumption (3)         | 2,441,043     | 2,624,198     | 2,938,102         | 3,091,043     |
| Streets                            |               |               |                   |               |
| Street overlay - miles             | 4             | 1             | 4                 | 6             |
| Concrete pavement repair - sq. ft. | 6,258         | 6,488         | 5,322             | 9,372         |
| Pothole repair - sq. ft.           | 2,677         | 2,152         | 4,577             | 3,974         |
| Street cut - sq. ft.               | 163,910       | 86,160 (15)   | 176,844           | 162,577       |
| Sign fabrication                   | 850           | 973           | 852               | 935           |

Source: City records

- (1) Excludes traffic violations
- (2) Course closed from July 1st to September 15th, 2006 for renovations.
- (3) Cubic feet
- (4) Method of calculation was changed by Police Department
- (5) Overlay was moved into the 2008-2009 Budget Year because Public Works was assessing program options.
- (6) Library closed from March 20th to April 19th, 2008 in order to move to new location.
- (7) Loan period changed from 2 weeks to 3 weeks.
- (8) FY 2009-2010 calculated on a Fiscal Year basis and additional call types now being tracked.
- (9) Reported from the National Incident-Based Reporting System annual report.
- (10) Decline in response time is due to in-town traffic increasing because of the Hwy 820 expansion causing a longer drive time.
- (11) Reinspections are down due to corrected violations.
- (12) Inspection numbers unavailable for the year due to changes in the computer record management system and procedures
- (13) Remodels included which should not have been

Table 16

|    | 2010        | 2009          | 2008            | 2007          | 2006          | 2005          |
|----|-------------|---------------|-----------------|---------------|---------------|---------------|
|    | 47          | 41            | 51              | 56            | 40            | 29            |
| \$ | 4,578,000   | \$ 3,790,657  | \$ 7,907,730    | \$ 15,083,593 | \$ 53,708,815 | \$ 14,139,519 |
|    | 66          | 55            | 116             | 235           | 382           | 420           |
| \$ | 14,289,559  | \$ 13,295,377 | \$ 31,498,499   | \$ 54,190,911 | \$ 79,332,989 | \$ 77,631,113 |
|    | 4,071       | 4,270         | 4,289           | 3,403         | 4,694         | 4,767         |
|    | 3,452       | 3,190         | 3,458           | 3,216         | 3,318         | 2,911         |
|    | 24,747      | 25,111        | 28,899          | 20,010        | 22,124        | 22,810        |
|    | 137,645 (8) | 123,877       | 124,212         | 103,137       | 107,096 (4)   | 114,058       |
|    | 40%         | 41%           | 41%             | 36%           | 37%           | 37%           |
|    | 6,555       | 6,551         | 6,929           | 6,749         | 5,770         | 5,570         |
|    | 1,371       | 1,617         | 1,843           | 1,651         | 1,633         | 1,438         |
|    | 5,184       | 4,934         | 5,086           | 5,098         | 4,137         | 4,132         |
|    | 73%         | 73%           | 72%             | 72%           | 73%           | 73%           |
|    | 2,169       | 2,308         | 2,412           | 2,007         | 2,033         | 1,946         |
|    | 242,554     | 231,379       | 233,654         | 248,205       | 260,869       | 250,682       |
|    | 47,594      | 54,373        | 56,192          | 48,838        | 39,603 (2)    | 50,187        |
|    | 196,042     | 192,044       | 180,737         | 177,270       | 179,366       | 176,719       |
|    | 828,889     | 764,195       | 606,639 (6) (7) | 660,627       | 697,013       | 696,954       |
|    | 12.48       | 11.56         | 9.23 (6)        | 10.31         | 10.97         | 11.30         |
|    | 1,205,104   | 1,213,697     | 1,317,622       | 1,178,439     | 1,397,254     | 1,264,837     |
|    | 2,627,674   | 2,751,337     | 2,963,770       | 2,449,372     | 2,701,738     | 2,787,834     |
|    | 4           | 5             | 2 (5)           | 8             | 9             | 11            |
|    | 16,163      | 12,655        | 4,404 (5)       | 14,694        | 9,485         | 5,474         |
|    | 6,786       | 4,303         | 5,499 (5)       | 10,480        | 8,738         | 12,969        |
|    | 193,400     | 162,446       | 121,809 (5)     | 156,141       | 179,703       | 151,706       |
|    | 953         | 1,119         | 1,455           | 2,040         | 1,795         | 1,556         |

**CITY OF NORTH RICHLAND HILLS, TEXAS**  
 Capital Asset Statistics by Function/Program  
 Last Ten Fiscal Years  
 (unaudited)

|                               | Fiscal Year |             |             |             |
|-------------------------------|-------------|-------------|-------------|-------------|
|                               | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
| <b>Public safety</b>          |             |             |             |             |
| Police                        |             |             |             |             |
| Stations                      | 1           | 1           | 1           | 1           |
| Fire                          |             |             |             |             |
| Stations                      | 4           | 4           | 4           | 4           |
| Fire hydrants                 | 2,202       | 2,162       | 2,127       | 2,125       |
| <b>Culture and recreation</b> |             |             |             |             |
| Parks and recreation          |             |             |             |             |
| Parks                         | 33          | 33          | 33          | 33 (6)      |
| Park acreage                  | 734         | 709         | 709         | 709 (6)     |
| Playgrounds                   | 22          | 20          | 20          | 20          |
| Trails - miles                | 30          | 21          | 21          | 21 (7)      |
| Golf courses                  | 1           | 1           | 1           | 1           |
| Recreations centers           | 1           | 1           | 1           | 1           |
| Athletic fields               | 53          | 53          | 53          | 53          |
| Senior centers                | 1           | 1           | 1 (8)       | 2           |
| Library                       |             |             |             |             |
| Libraries                     | 1           | 1           | 1           | 1           |
| <b>Public works</b>           |             |             |             |             |
| Water mains - miles           | 356         | 355         | 351         | 346         |
| Water connections             | 21,141      | 20,936      | 20,792      | 20,522      |
| Wastewater lines - miles      | 293         | 292         | 290         | 288         |
| Wastewater connections        | 19,761      | 19,603      | 19,469      | 19,240      |
| Storm drain - miles           | 139         | 139         | 139         | 139         |
| Streets - miles               | 238         | 238         | 238         | 238         |
| Street lights                 | 2,545       | 2,545       | 2,545       | 2,540       |

Source: City records

- (1) Subtracted Thomas Acres (BISD property no longer maintaining)
- (2) Oncor performed a city-wide audit of streetlights in 2006. Subsequent years' counts are based on Oncor billings.
- (3) Acquisition of easements for Little Bear Creek trail.
- (4) Department implemented a complete inventory system in 2009 that will provide more accurate counts.
- (5) Indicates active accounts. Source: NRH Utility Customer Service Department.
- (6) Adjusted to include Stormy Plaza completed in 2010.
- (7) Added Randy Moresi Trail in 2011.
- (8) New Senior Center in NRH Centre combined/closed Dan Echols and Bursey Road Senior Citizen Centers

Table 17

| <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|-------------|-------------|-------------|-------------|-------------|-------------|
| 1           | 1           | 1           | 1           | 1           | 1           |
| 4           | 4           | 4           | 4           | 4           | 4           |
| 2,139       | 2,100 (4)   | 2,119       | 2,077       | 1,900       | 1,850       |
| 32          | 32          | 32          | 32          | 31          | 27          |
| 708         | 708 (3)     | 706         | 706 (1)     | 741         | 720         |
| 20          | 20          | 20          | 20          | 21          | 17          |
| 20          | 20          | 20          | 20          | 15          | 12          |
| 1           | 1           | 1           | 1           | 1           | 1           |
| 1           | 1           | 1           | 1           | 1           | 1           |
| 53          | 53          | 53          | 53 (1)      | 59          | 58          |
| 2           | 2           | 2           | 2           | 2           | 2           |
| 1           | 1           | 1           | 1           | 1           | 1           |
| 356         | 341 (4)     | 356         | 354         | 342         | 341         |
| 20,420      | 20,302      | 20,282      | 20,516      | 19,784      | 19,356      |
| 288         | 285 (4)     | 245         | 244         | 234         | 233         |
| 19,141      | 19,068 (5)  | 19,053      | 19,350      | 18,618      | 18,257      |
| 139         | 139         | 138         | 137         | 135         | 133         |
| 237         | 235         | 234         | 232         | 227         | 225         |
| 2,531       | 2,525       | 2,518       | 2,513       | 2,431 (2)   | 2,062       |



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