

**City of North Richland Hills, Texas
Comprehensive Annual Financial Report
For Fiscal Year Ended
September 30, 2012**



*Cover Designed by
City Manager's Office and
Budget & Research Department
City of North Richland Hills, Texas*

CITY OF NORTH RICHLAND HILLS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2012

City Officials

Oscar Trevino
Mayor

Tom Lombard
Place 3
Mayor Pro Tem

Tito Rodriguez
Place 1

Rita Wright Oujesky
Place 2

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

Jared Miller
Assistant City Manager

Jimmy Perdue
Director of Public Safety

Mike Curtis
Managing Director of Development Services

Larry Koonce
Director of Finance

Prepared by: Finance Department

ACKNOWLEDGEMENTS

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Special appreciation is given to:

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Human Resources Department
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Chelsea Barbour, 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, 2012

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Introductory Section



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Department of Finance

March 25, 2013

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, 2012.

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 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 Deloitte & Touche, 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, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2012, are fairly presented in conformity with GAAP. The independent auditors' 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 63,455 for 2012. 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 67 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 continues to be home to a stable mix of large employers and retail business amidst a growing resident population each driving City revenue streams upward.

The City is centrally positioned in the strong socioeconomic area of North Central Texas. Neighbors with the high growth Cities of Colleyville, Keller and Southlake, the City of North Richland Hills remains not only the largest, but the second fastest growing City in Northeast Tarrant County, an 11 City area that contains over 400,000 people.

2012 witnessed a continued decline in unemployment and residential foreclosures. Another 1% drop in unemployment down to 5% at the end of 2012, the City continues to be much lower than Tarrant County, the DFW Metro and Texas. Residential foreclosures continue to trend downward from the peak periods during the recession, with the City's current rate 20% less than Tarrant County, 53% less than the U.S. overall.

This year also witnessed continued increases in taxable sales, taxable property values and new home starts. Compared to the previous fiscal year taxable sales grew by 1.6%, representing a \$12 million increase. This number is significant given the amount of road construction along Northeast Loop 820 where 33% of the City's tax generating business is located. Taxable property value in 2012 grew for the second straight year, this time by over \$85 million of which 35% was the result of new construction. Finally, in 2012 not only did the City realize a 51% increase in new home starts with 185 versus the previous year, the new start average home value increased by 8% to \$250,000. This growth in new starts was only exceeded by the City of Keller in Northeast Tarrant County.

One benefit in being 3rd largest City in all of Tarrant County behind Fort Worth and Arlington, the City is able to maintain a diverse mix of major employers that include HealthMarkets, North Hills Hospital and Impel Management Services which employ over 1,600 in the growing healthcare sector; Fitz Manufacturing and SeyTec Aerospace which employ over 250 in the growing aerospace sector, and Con-Way Freight with over 300 employees in the growing supply chain sector, just to name a few.

2013 is projected to be another momentous year as the construction of the Northeast Loop 820 expansion is planned to impact six of the eight ramps in the City. Expected to slightly slow commerce in the immediate area, the project continues to facilitate the redevelopment and revitalization of commercial property along the highway corridor.

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, 2015.

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. NRH₂O, 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 2012 was 0.15%. The overnight investment's weighted portfolio average at the end of the fiscal year was 45 days. The average yield on all other investments for fiscal year 2012 was 0.79% compared to 1.27% for the prior year. The portfolio's weighted average maturity ("WAM") for all other investments at the end of the fiscal year was 246 days, which represents a 44 day decrease over last year's WAM which was 290 days. At fiscal year end, approximately 35.9% was invested beyond one year, 10.9% was invested for one year or less, while the remaining 53.2% 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 \$4,994,679 in the aggregate for a 12-month period beginning on January 1, 2012. 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 113 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, 2011. 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 twenty-nine 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 2012 for the 2012-2013 operating budget. The Distinguished Budget Presentation award was granted to the City for the twenty-second 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,



Larry Koonce
Director of Finance



Laury Fiorello
Assistant Director of Finance

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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



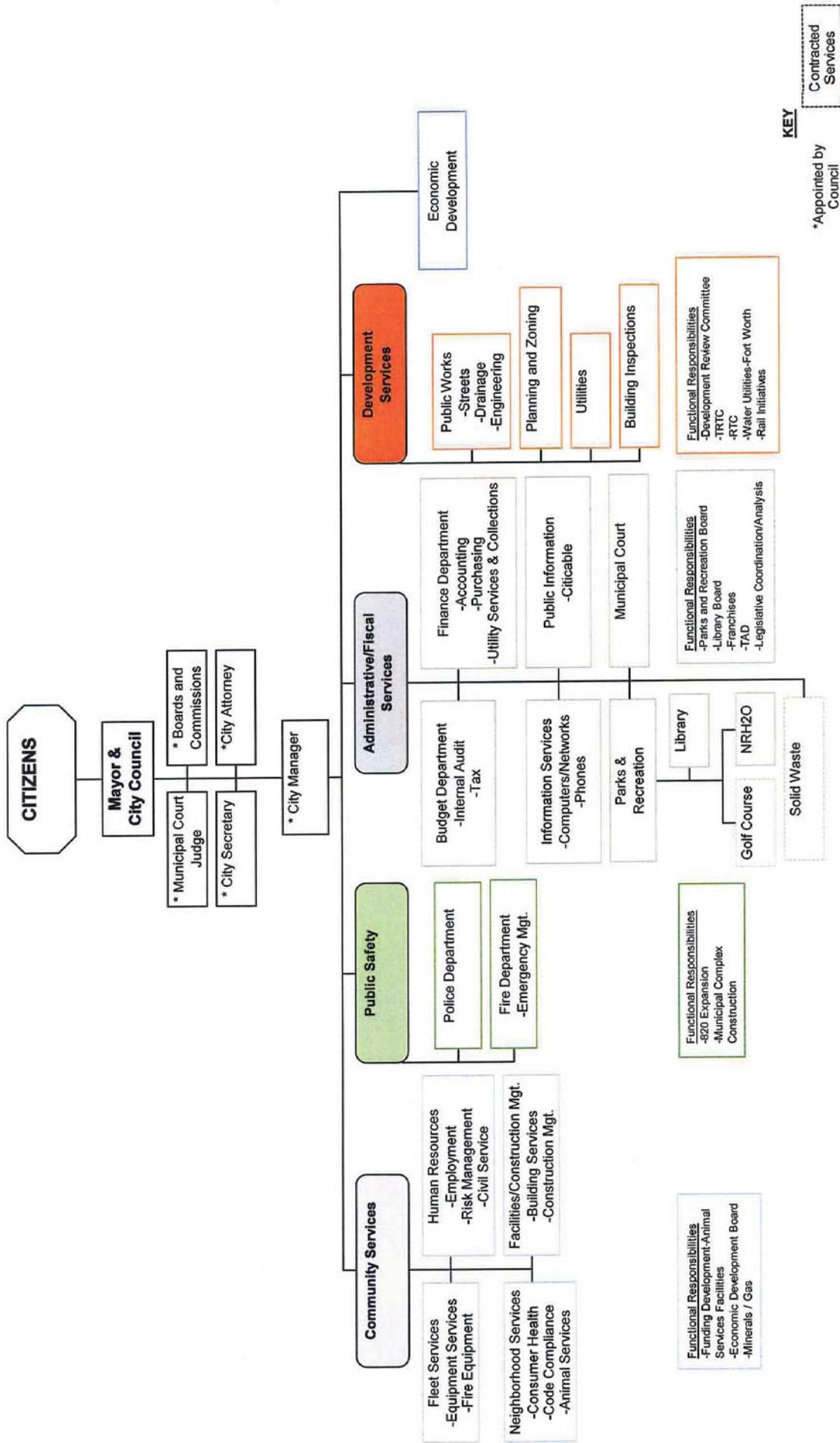
Christopher P. Moirill

President

Jeffrey R. Emer

Executive Director

City of North Richland Hills



KEY

*Appointed by Council

Contracted Services

CITY OF NORTH RICHLAND HILLS, TEXAS

List of Principal Officials
September 30, 2012

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

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

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
Assistant 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

Mark Hindman
Karen Bostic
Jared Miller
Jimmy Perdue
Mike Curtis
Vickie Loftice
Patricia Hutson
George Staples
Patrick Hillis
Larry Koonce
Laury Fiorello
Mark Mills
Craig Hulse
John Pitstick
Mary Peters
Kyle Spooner
Debbie Durko
JoAnn Stout
Cecilia Hurt Barham
Thomas Powell
Stan Tinney
Chris Amarante

Financial Section



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the governmental activities, 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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes 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, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note IA, the City adopted the provisions of Statement No. 61 of the Governmental Accounting Standards Board, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, effective October 1, 2011. Beginning net assets were restated for the blending of certain component units in accordance with the implementation of this standard.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2013, on our consideration of City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and

other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and other schedules listed in the foregoing table of contents are fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the City's respective financial statements that collectively comprise the City's basic financial statements. The introductory section and statistical section as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements for the City. Such information is the responsibility of the City's management. Such additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Deloitte & Touche LLP

March 18, 2013

CITY OF NORTH RICHLAND HILLS, TEXAS
Management's Discussion and Analysis
September 30, 2012

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 17). Also, unless otherwise indicated, all discussion and amounts presented herein are based upon the activity of the primary government only.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the fiscal year ended September 30, 2012 by over \$321.3 million (net assets). Of this amount, approximately \$46 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$5.4 million in fiscal year 2012. Additional details of this increase may be found beginning on page 18.
- As of September 30, 2012, the City's governmental funds reported combined fund balances of \$95,027,801 which represents an increase of \$18,293,843 in comparison to the prior fiscal year's ending balance.
- During fiscal 2012 the City implemented, Governmental Accounting Standard's Board (GASB) Statement No. 61 and two component units previously reflected as discrete are now blended.
- Approximately 30.6% of total governmental fund balance, or \$29,085,897, is available for appropriation at the government'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 \$8,992,908 or 23.9% of General Fund actual expenditures for 2012.
- The City's total debt increased by approximately \$36.2 million during the current fiscal year. New general obligation bonds and certificates of obligation in the amounts of \$30.545 million and \$5.66 million respectively were issued in fiscal year 2012.

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

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is

CITY OF NORTH RICHLAND HILLS, TEXAS
Management's Discussion and Analysis
September 30, 2012

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

In the Statement of Net Assets 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 17 – 18 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 or bond covenants. However, management establishes many other funds to help control and manage resources for particular purposes or to show that legal responsibilities for using certain taxes, grants, and other money are being met. 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 Assets and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

The City maintains five 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 19 - 22). The General Fund, General Debt Service Fund, General Capital Projects Fund, and Parks and Recreation Development Fund 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 Assets 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,

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such as the City's building maintenance services, fleet management, employee and property insurance coverage, and telephone and computer services. Because these services benefit both 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 considers all enterprise funds to be major funds. Financial statements for the enterprise funds can be found on pages 23 – 25 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 29 - 62 of this report.

Government-Wide Financial Analysis

The government-wide financial analysis highlights the information contained in the Statement of Net Assets and Statement of Activities. The City's combined net assets were \$321,271,165 as of September 30, 2012. Analyzing the net assets of governmental and business-type activities separately, governmental activities net assets equal \$232,987,847 and business-type activities net assets total \$88,283,318. This analysis focuses on the net assets and changes in general revenues and significant expenses of the City's governmental and business-type activities.

Statement of Net Assets – The largest portion of the City's net assets (83.3%) reflects its 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 assets as of September 30, 2011 and 2012. Current and other assets include restricted deposit and investment balances.

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011, restated (1)	2012	2011, restated (1)	2012	2011, restated (1)
Current and Other Assets	\$112,362	\$ 74,385	\$ 40,703	\$ 34,372	\$153,065	\$ 108,757
Capital Assets, Net	239,873	214,923	74,262	75,566	314,135	290,489
Total Assets	352,235	289,308	114,965	109,938	467,200	399,246
Long-term Liabilities	103,540	55,041	21,962	16,620	125,502	71,661
Other Liabilities	15,707	15,451	4,720	3,451	20,427	18,902
Total Liabilities	119,247	70,492	26,682	20,071	145,929	90,563
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	205,162	178,610	62,615	65,811	267,777	244,421
Restricted	4,253	2,873	2,711	2,600	6,964	5,473
Unrestricted	23,573	37,333	22,957	21,456	46,530	58,789
Total Net Assets	\$232,988	\$ 218,816	\$ 88,283	\$ 89,867	\$321,271	\$ 308,683

(1) Beginning Governmental Activities amounts have been restated in conjunction with the implementation of a new accounting standard, GASB Statement standard, GASB Statement No. 61 (see footnote 1.A.)

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Statement of Activities – Governmental activities increased the City of North Richland Hills' net assets by \$7,007,987 in fiscal year 2012, and business-type activities decreased net assets by (\$1,583,462). The following table presents the condensed government-wide statement of activities for the years ended September 30, 2011 and 2012.

Changes in Net Assets						
Amounts shown in thousands (000's)						
Year Ended September 30,						
	Governmental Activities		Business-Type Activities		Total	
	2012	2011, restated (1)	2012	2011, restated (1)	2012	2011, restated (1)
Revenues:						
Program revenues:						
Charges for services	\$ 12,230	\$ 9,850	\$ 35,438	\$ 35,833	\$ 47,668	\$ 45,683
Operating grants and contributions	1,833	880	81	-	1,914	880
Capital grants and contributions	7,402	17,644	51	4,643	7,453	22,287
General revenues:						
Property tax	22,223	19,340	-	-	22,223	19,340
Sales tax	16,974	16,645	-	-	16,974	16,645
Mixed beverage	102	128	-	-	102	128
Franchise taxes	4,269	4,330	-	-	4,269	4,330
Occupancy taxes	210	238	-	-	210	238
Unrestricted investment earnings	301	495	50	171	351	666
Miscellaneous	288	1,272	7	31	295	1,303
Total revenue	<u>65,832</u>	<u>70,822</u>	<u>35,627</u>	<u>40,678</u>	<u>101,459</u>	<u>111,500</u>
Expenses:						
General government	10,400	9,887	-	-	10,400	9,887
Public safety	28,881	28,512	-	-	28,881	28,512
Culture and recreation	11,680	9,352	-	-	11,680	9,352
Public works	7,794	7,679	-	-	7,794	7,679
Interest and other fees	3,453	2,108	-	-	3,453	2,108
Utility	-	-	26,642	27,981	26,642	27,981
Golf course	-	-	2,430	2,227	2,430	2,227
Aquatic park	-	-	4,754	4,508	4,754	4,508
Total expenses	<u>62,208</u>	<u>57,538</u>	<u>33,826</u>	<u>34,716</u>	<u>96,034</u>	<u>92,254</u>
Increase in net assets before transfers	<u>3,624</u>	<u>13,284</u>	<u>1,801</u>	<u>5,962</u>	<u>5,425</u>	<u>19,246</u>
Transfers between governmental and Business-Type	3,385	1,591	(3,385)	(1,591)	-	-
Net Increase (decrease) in net assets	<u>7,009</u>	<u>14,875</u>	<u>(1,584)</u>	<u>4,371</u>	<u>5,425</u>	<u>19,246</u>
Net assets - beg. Bal.	218,816	203,941	89,867	85,496	308,683	289,437
Adjustment to beginning net assets	7,163	-	-	-	7,163	-
Net assets - end of year	<u>\$ 232,988</u>	<u>\$ 218,816</u>	<u>\$ 88,283</u>	<u>\$ 89,867</u>	<u>\$ 321,271</u>	<u>\$ 308,683</u>

(1) Beginning Governmental Activities amounts have been restated in conjunction with the implementation of a new accounting standard, GASB Statement standard, GASB Statement No. 61 (see footnote 1.A.)

Governmental activities – Governmental activities increased the City of North Richland Hills' net assets by approximately \$7 million in fiscal year 2012. The City had an increase in tax revenues of \$3,096,904 during 2012. Charges for services increased by 24.1% or approximately \$2.4 million over 2011 revenues. The increase was correlated with increase in housing starts, a multi-jurisdictional consolidation of public safety services, and opening of new recreation facility. The total expenses for governmental activity increased by approximately \$3.4 million over 2011 totals. The increase to expenses for governmental activities is correlated to several cost drivers. The City opened new recreational facility which has significant operational expenses over the former site. The facilities also increased personnel levels. The Public Safety Police Division

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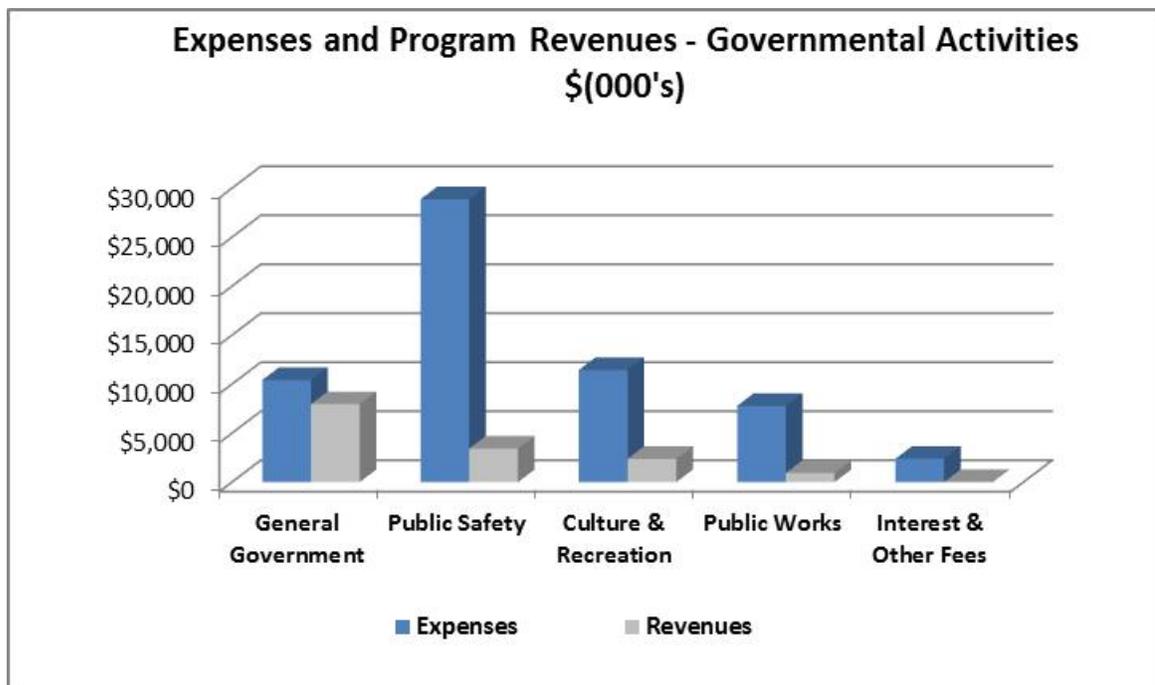
assimilated services of call center (911) and jail services for three other local municipalities. The Police Department increased personnel by the employees for those other entities who joined the consolidation.

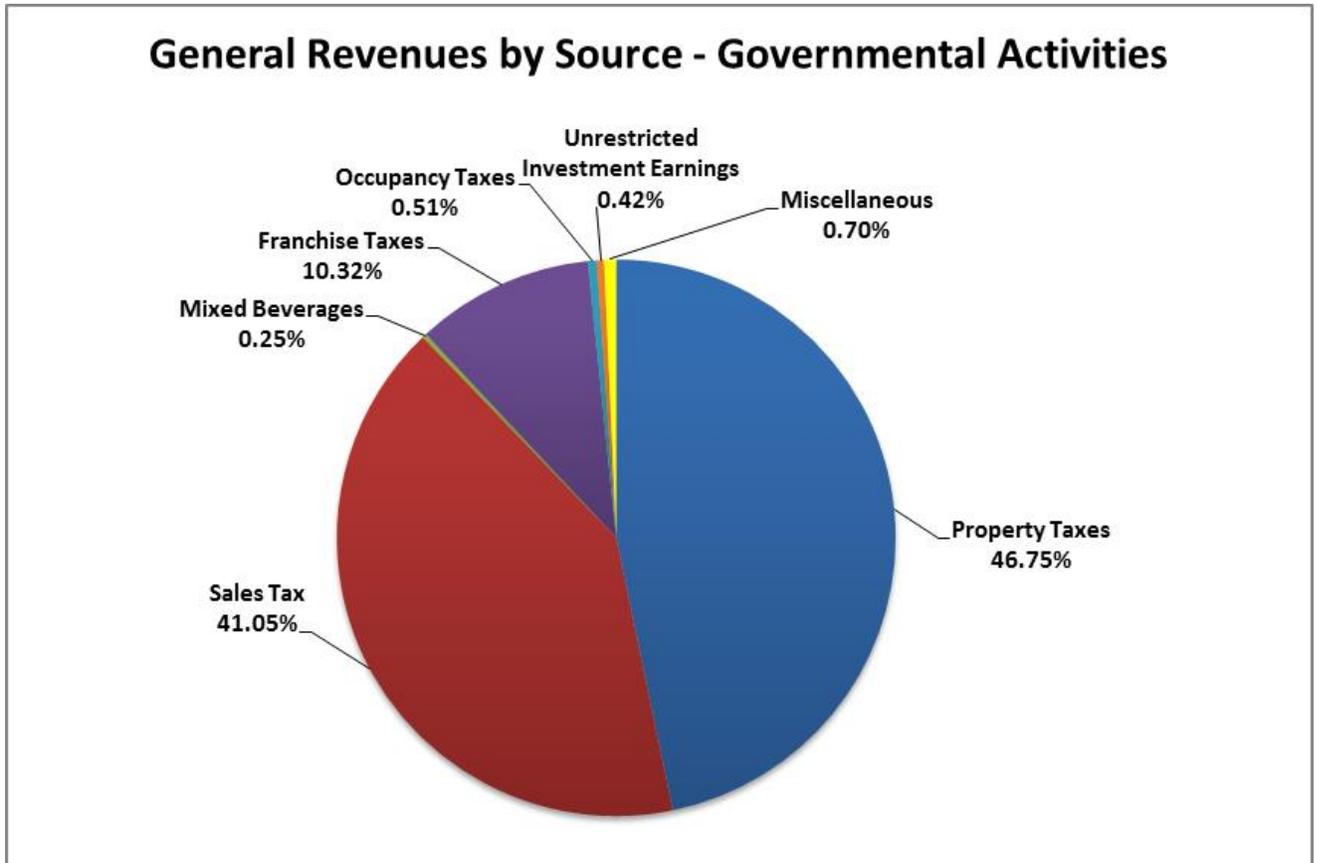
Operating grants and contributions increased by \$953 thousand from fiscal year 2011 to 2012, while capital grants and contributions decreased by \$10.2 million from 2011 to 2012. Capital Grants and Contributions increased due to one factor. Developer had contributed infrastructure for Hometown Neighborhood was received in total during 2011. No infrastructure was contributed in 2012 fiscal period.

Sales and mixed beverage taxes increased by \$302,391 from fiscal year 2011 to 2012. Franchise taxes realized a decrease of (\$60,271) from 2011 to 2012. This decrease is within utility franchise fees to General Fund. 2012 saw a normal weather pattern and therefore water sales were slightly lower versus sales during the drought pattern of 2011. Sales taxes are entirely dependent upon the local economy. The City is expecting a slight increase in sales tax revenues for 2013.

The most significant governmental expense occurred in the public safety program ("PS"), which incurred expenses of \$28,881,714. This figure represents an increase from the prior fiscal year expenses of approximately \$369 thousand. The increase is directly due to the consolidation of three other local call centers (911) and jail services into one central location within the Police Department. All operational costs to run consolidated center was assumed by the City.

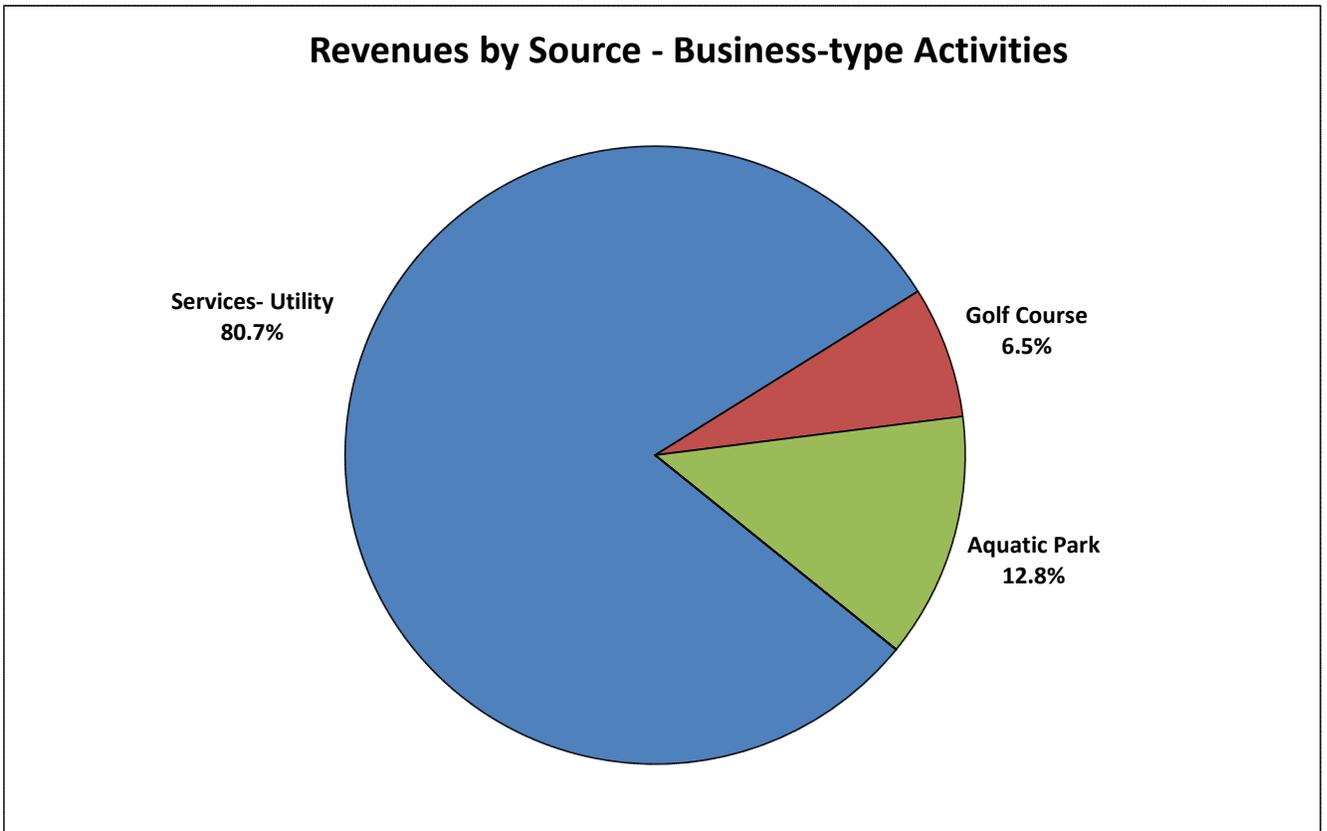
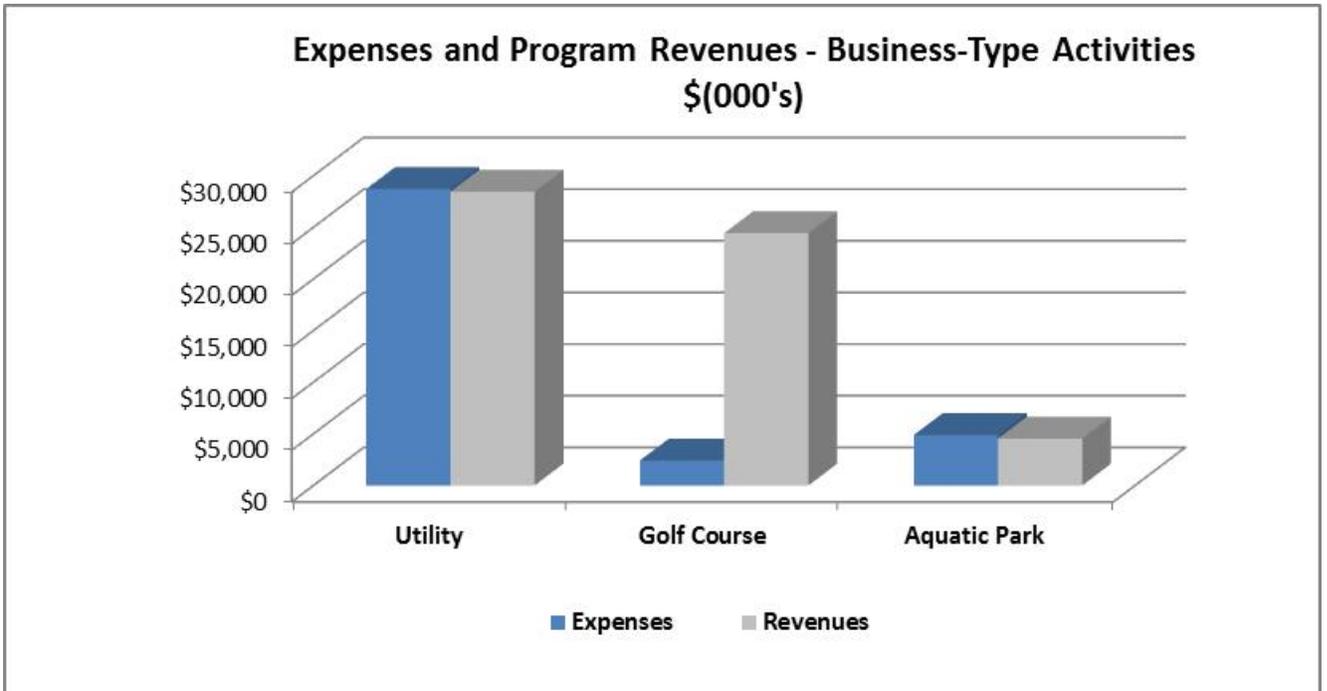
Culture and recreation program expenses increased by approximately 24.9% (approximately \$2.3 million) from fiscal year 2011 to 2012. This division's increase is due to the opening of new recreation facility. Additional personnel and larger facility added to operational cost. Fitness equipment was purchased at approximately \$390 thousand.





Business-type activities – Business-type activities resulted in a decrease to the City's total net assets. The 2012 decrease was (\$1,583,462). The decrease is correlated to the operating losses in the Aquatic Park. The loss was (\$205,121). The other component of the loss is due to transfer to governmental activities (\$3,384,630) for services provided to business-type activities.

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Fund Level Financial Analysis

The General Fund fund balance for the year ended September 30, 2012 was \$14,328,758, which was an increase of \$1,061,886 from 2011. Of this amount, nonspendable fund balance amounts for inventories, prepaids, and advances were \$73,232, \$45,293, and \$589,044 respectively. Assignment of fund balances total \$3,759,566. Of this amount \$387,534 are encumbrances from 2012 unspent but obligated to vendors at year end. Restrictions from outside or legal authorities of fund balances total \$868,715 which are statutorily isolated for the municipal court technology, security, juvenile programs, and franchise peg fees for communication activities. The unassigned fund balance amount of \$8,992,908 is approximately 63% of available fund balance.

The General Fund property tax revenues realized a decrease from the prior year of (\$360,629). Property tax receipts are downward fluctuation is continued stressors from a recuperating economy from the recession of 2008. The City has seen some appraisal values be adjusted along with the slower housing starts. The City has reached approximately 80% build-out of available undeveloped housing plats. With the City's close proximity to build-out status, property tax revenues are projected to remain flat. There was no change in the total property tax rate of \$.57 which has been in effect since fiscal year 1994. Sales taxes increased by 1% or \$123,905 respectively. Ambulance fees grew by \$246,807 over 2011, due to an increase in resident rates in fiscal year 2011.

The General Capital Projects Fund ("GCP") ended the year with an increase of fund balance of \$25,228,126 over 2011. The funds increase was due to selling bonds for the new municipal facilities project. \$25 million was sold for the project late in the fiscal year. All proceeds from the sale remained unspent at year end.

Enterprise Funds realized a decrease to their net assets for the year ended September 30, 2012. The Utility Fund and Aquatic Fund realized losses of (\$1,624,772) and (\$396,616) respectively. Utility had approximately \$918 thousand increase and repair and maintenance costs and a loss of (\$404,829) on disposal of an asset. The Aquatic Park saw a decrease in admissions of (\$119,704) due to a milder summer compared to the 2011 drought attributing to this variance. Additionally, Aquatic Park saw an additional increase to fiscal debt charges of approximately \$275 thousand due to current year refunding of debt.

General Fund Budgetary Highlights

North Richland Hills has been more fortunate than other areas of the country that have been significantly impacted by the recent recession. However, a pattern since late 2008, economic conditions have negatively impacted municipal revenue streams.

Implementation of the City's contingency plan was not required during 2012; however, steps were taken in response to projected declines in revenue. Departments were briefed on projected revenues and directed to approach their spending conservatively, with a focus on core services and critical needs. The majority of the variance is attributable to departments taking astute care and oversight of their individual budgets. In addition, the City implemented a rolling freeze on all vacant, non-sworn positions. Each vacant position was held open for thirty days, after which time it was re-evaluated.

The ending unassigned General Fund fund balance of \$8,992,908 continues to meet the City's policy of maintaining a balance of at least 15% of expenditures. The policy was established to protect the City from unforeseen emergencies and to place the City in a more favorable financial position overall.

General Fund Revised Budget to Actual Comparison

Notable variances occurred in the General Fund revised budget to actual comparison as follows:

- Franchise fees reflected an increase of \$42,166 which is primarily due to increases in gas, water and sewer payments, and cable utilities. Rates for gas and water and sewer utilities increased due to higher water sales due to the 2012 drought plus new services from cable franchises were implemented by providers.

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- General Fund had positive net budget variances totaling approximately \$852,385. The General Fund activities and their individual variances include:

General Fund Departmental Budget Variances Positive (Negative)	
City Council	\$ 37,650
City Manager	15,640
Communications	13,898
City Secretary	24,660
Legal	76,043
Human Resources	5,579
Finance	12,819
Budget & Research	24,895
Municipal Court	84,617
Planning and Inspections	3,778
Economic Development	6,553
Library	77,102
Neighborhood Services	76,391
Public Works	331,295
Parks & Recreation	118,775
Police	134,482
Emergency Management	182,976
Fire	78,414
Non-Departmental	<u>(453,182)</u>
Total General Fund	<u><u>\$ 852,385</u></u>

General Fund overall savings is partly caused by encumbrances of current year activities which will be carried to 2012-2013 budget and expensed in the new budget period. The total of 2011-2012 encumbrances to be expended in 2012-2013 totals \$387,534 (or approximately 45% of net amount under budget).

Capital Asset and Debt Administration

Capital assets - At the end of fiscal year 2012, the City had \$314 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, 2011 and 2012.

CITY OF NORTH RICHLAND HILLS, TEXAS
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Capital Assets
(net of Accumulated Depreciation)
Amounts shown in thousands (000's)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		Total 2012	Total 2011, restated (1)
	2012	2011, restated (1)	2012	2011, restated (1)		
Land & land imp.	\$ 77,631	\$ 76,688	\$ 2,579	\$ 2,579	\$ 80,210	\$ 79,267
Works of art	298	298	-	-	298	298
Buildings & imp.	44,176	22,229	2,309	1,800	46,485	24,029
Other imp.	104,798	87,528	14,168	14,637	118,966	102,165
Utility plant	-	-	52,575	54,148	52,575	54,148
Machinery & equip.	8,281	7,868	2,112	1,369	10,393	9,237
Const. in progress	4,689	35,894	518	1,033	5,207	36,927
Total capital assets	<u>\$ 239,873</u>	<u>\$ 230,505</u>	<u>\$ 74,261</u>	<u>\$ 75,566</u>	<u>\$ 314,134</u>	<u>\$ 306,071</u>

(1) Beginning Governmental Activities amounts have been restated in conjunction with the implementation of a new accounting standard, GASB Statement standard, GASB Statement No. 61 (see footnote 1.A.)

This year's additions included:

Description	Amount
Computer and Machinery Equipment	2,897,572
NRH ₂ O Improvement	350,903
Various Vehicle	445,510
Various Water/Sewer Replacement and Improvements	1,105,654
Various Land Acquisition	942,571
Park Improvement	764,159
Recreation Center and NRH ₂ O Building	24,724,485
Various street improvement	21,434,894
Capitalized Interest	14,738

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 only for these projects. Until appropriations are removed these resources are unavailable for general operations or new capital projects.

The City currently has resources totaling \$72,937,135 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 IV.C. in the Footnotes to the financial statements.

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Debt - At September 30, 2011 and 2012, the City had the following debt outstanding:

Outstanding Debt
Amounts shown in thousands (000's)

	Governmental Activities		Business-Type Activities		2012	2011, restated (1)
	2012	2011, restated (1)	2012	2011, restated (1)	Totals	Totals
General obligation bonds	\$ 64,269	\$ 41,300	\$ 2,211	\$ 1,405	\$ 66,480	\$ 42,705
Certificates of obligation	33,330	37,420	16,415	12,610	49,745	50,030
Sales tax revenue bonds	615	1,645	-	-	615	1,645
Loans payable	840	1,242	-	-	840	1,242
Capital lease	-	-	387	-	387	-
Totals	\$ 99,054	\$ 81,607	\$ 19,013	\$ 14,015	\$ 118,067	\$ 95,622

(1) Beginning Governmental Activities amounts have been restated in conjunction with the implementation of a new accounting standard, GASB Statement standard, GASB Statement No. 61 (see footnote 1.A.)

In fiscal year 2012, the City issued 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 has maintained a property tax rate of \$0.57 per \$100 assessed valuation for twelve consecutive years. 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 (IV-E) to the financial statements.

Risk - 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, and/or \$4,994,679 in the aggregate for a 12-month period beginning on January 1, 2012. Self-Insurance fund claims are funded by charges to other funds and premiums from employees and retirees for self and dependent coverage.

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. Due to the volatile nature of the sales tax revenue source and the recent departure of major retailers, the City has been conservative in sales tax projections for fiscal year 2011-2012. For budget year 2012-2013, sales tax receipts are anticipated to be aligned with budget and the City does not expect to see growth above the estimated amounts. Sales tax revenue in 2012 ended 1% above the budgeted number. When compared to budget year 2011-2012 actual receipts, sales taxes are anticipated to continue to remain flat in 2013.

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The fiscal year 2012-2013 budget incorporates an increase in the property tax rate. For fiscal year 2012-2013 the tax rate distribution (per \$100 assessed value) for the City is as follows:

Tax Rate Distribution Schedule	% of Total Tax Rate	Tax Rate Distribution
General Fund - Maintenance & Operations	57.6%	0.351076
Debt Service Fund	42.4%	0.258924
Total distribution of tax rate	100.0%	\$0.610000

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.

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.

BASIC FINANCIAL STATEMENTS



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CITY OF NORTH RICHLAND HILLS, TEXAS
Government-wide Statement of Net Assets
September 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
CURRENT ASSETS			
Cash, cash equivalents, and investments	\$ 30,832,996	\$ 18,111,420	\$ 48,944,416
Receivables, net of allowances:			
Accounts	542,759	4,873,780	5,416,539
Property taxes	195,780	-	195,780
Other taxes	3,295,156	-	3,295,156
Interest receivable	216,918	61,753	278,671
Special assessments	86,652	-	86,652
Intergovernmental	1,649,944	475,550	2,125,494
Other	836,469	-	836,469
Prepays	364,451	56,194	420,645
Inventories, at cost	235,136	362,346	597,482
Internal balances	(2,859,963)	2,859,963	-
Total current assets	<u>35,396,298</u>	<u>26,801,006</u>	<u>62,197,304</u>
NONCURRENT ASSETS			
Restricted cash, cash equivalents, and investments	75,989,057	13,652,808	89,641,865
Capital assets - net:			
Land and nondepreciable land improvements	77,630,868	2,579,137	80,210,005
Buildings and improvements	63,401,030	4,405,050	67,806,080
Improvements other than buildings	182,673,929	24,634,997	207,308,926
Utility plant	-	99,445,407	99,445,407
Machinery and equipment	24,117,479	4,876,154	28,993,633
Artwork and historical treasures	298,208	-	298,208
Construction in progress	4,689,409	518,124	5,207,533
Accumulated depreciation	(112,938,309)	(62,198,080)	(175,136,389)
Total capital assets - net	<u>239,872,614</u>	<u>74,260,789</u>	<u>314,133,403</u>
Bond issue costs, net of amortization	976,011	251,156	1,227,167
Total noncurrent assets	<u>316,837,682</u>	<u>88,164,753</u>	<u>405,002,435</u>
Total assets	<u>352,233,980</u>	<u>114,965,759</u>	<u>467,199,739</u>
Liabilities			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	4,184,169	2,720,276	6,904,445
Deposits and other liabilities	1,157,344	61,614	1,218,958
Retainage payable	1,279,484	46,344	1,325,828
Compensated absences	183,114	31,761	214,875
Unearned revenue	84,544	109,508	194,052
Accrued interest payable	382,042	68,722	450,764
Bonds and certificates of obligation payable	7,994,136	1,565,864	9,560,000
Loans payable	415,082	-	415,082
Capital lease payable	-	70,419	70,419
Intergovernmental payables	26,655	563	27,218
Developers' deposits	-	44,128	44,128
Total current liabilities	<u>15,706,570</u>	<u>4,719,199</u>	<u>20,425,769</u>
NONCURRENT LIABILITIES			
Customers' deposits	-	2,016,185	2,016,185
General obligation bonds payable	59,950,563	1,067,323	61,017,886
Certificates of obligation	30,998,986	16,150,983	47,149,969
Sales tax revenue bonds	210,000	-	210,000
Loans payable	425,343	-	425,343
Capital lease payable	-	317,426	317,426
Compensated absences	2,876,105	426,711	3,302,816
Intergovernmental payables	-	833,057	833,057
Other post employment benefits obligation	5,195,858	665,954	5,861,812
Net pension obligation	3,882,708	485,603	4,368,311
Total noncurrent liabilities	<u>103,539,563</u>	<u>21,963,242</u>	<u>125,502,805</u>
Total liabilities	<u>119,246,133</u>	<u>26,682,441</u>	<u>145,928,574</u>
Net assets			
Invested in capital assets, net of related debt	205,162,006	62,615,382	267,777,388
Restricted for:			
Debt service	4,253,430	-	4,253,430
Impact fees restricted for construction	-	2,710,553	2,710,553
Unrestricted	23,572,411	22,957,383	46,529,794
Total net assets	<u>\$ 232,987,847</u>	<u>\$ 88,283,318</u>	<u>\$ 321,271,165</u>

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

CITY OF NORTH RICHLAND HILLS, TEXAS
 Government-wide Statement of Activities
 Year Ended September 30, 2012

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government						
Governmental activities:						
General government	\$ 10,399,845	\$ 45,154	\$ 4,105,209	\$ (759,237)		\$ (759,237)
Public safety	28,881,714	1,576,369	58,425	(23,820,912)		(23,820,912)
Culture and recreation	11,679,786	128,762	271,903	(8,898,097)		(8,898,097)
Public works	7,794,339	82,853	2,966,459	(3,812,208)		(3,812,208)
Interest and other fees	3,453,283	-	-	(3,453,283)		(3,453,283)
Total governmental activities	62,208,967	1,833,138	7,401,996	(40,743,737)		(40,743,737)
Business-type activities:						
Utility	26,642,141	80,660	-		1,884,265	1,884,265
Golf course	2,429,973	-	50,744		64,636	64,636
Aquatic park	4,753,949	-	-		(205,121)	(205,121)
Total business-type activities	33,826,063	80,660	50,744		1,743,780	1,743,780
Total primary government	\$ 96,035,030	\$ 1,913,798	\$ 7,452,740	\$ (40,743,737)	\$ 1,743,780	\$ (38,999,957)
General revenue:						
Taxes:						
Property				\$ 22,222,620	\$ -	\$ 22,222,620
Sales				16,974,086	-	16,974,086
Mixed beverage				101,724	-	101,724
Franchise				4,269,229	-	4,269,229
Occupancy				210,324	-	210,324
Unrestricted investment earnings				300,928	50,479	351,407
Miscellaneous				288,093	6,909	295,002
Transfers between governmental and business-type activities				3,384,630	(3,384,630)	-
Total general revenue and transfers				47,751,634	(3,327,242)	44,424,392
Change in net assets				7,007,897	(1,583,462)	5,424,435
Net assets - beginning of year (as previously reported)				218,816,836	89,866,780	308,683,616
Adjustment to beginning net assets, accounting standard implementation				7,163,114	-	7,163,114
Net assets - beginning of year (as restated)				225,979,950	89,866,780	315,846,730
Net assets - end of year				\$ 232,987,847	\$ 88,283,318	\$ 321,271,165

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, 2012

	General Fund	General Capital Projects	General Debt Service	Parks and Recreation Development	Tax Increment Finance District #2	Other Governmental	Total Governmental
Assets							
Cash, cash equivalents, and investments	\$ 12,558,130	\$ -	\$ -	\$ 1,566,402	\$ -	\$ 9,280,112	\$ 23,404,644
Receivables, net of allowance							
Accounts	443,002	-	-	-	-	99,757	542,759
Property taxes	151,251	-	-	-	44,529	-	195,780
Other taxes receivable	1,792,040	-	-	720,207	-	782,909	3,295,156
Interest receivable	11,910	92,324	3,804	3,045	22,471	30,505	164,059
Special assessments receivable	-	86,652	-	-	-	-	86,652
Intergovernmental receivables	145,609	1,372,487	-	69,781	-	62,067	1,649,944
Other receivables	68,826	61,551	-	24,916	-	667,601	822,894
Due from other funds	886,916	-	-	-	-	-	886,916
Prepaid items	45,293	500	-	7,437	-	17,657	70,887
Inventories, at cost	73,232	-	-	21,608	-	-	94,840
Advances to other funds	589,044	-	-	-	-	-	589,044
Restricted:							
Cash, cash equivalents, and investments							
Construction funds	-	49,787,752	-	62,738	11,800,863	4,183,256	65,834,609
Transition funds	-	-	-	-	-	423,123	423,123
Debt service funds	-	-	2,263,711	-	-	2,363,691	4,627,402
Total assets	\$ 16,765,253	\$ 51,401,266	\$ 2,267,515	\$ 2,476,134	\$ 11,867,863	\$ 17,910,678	\$ 102,688,709
Liabilities							
Accounts payable	\$ 981,236	\$ 719,337	\$ -	\$ 125,174	\$ 36,243	\$ 217,998	\$ 2,079,988
Retainage payable	-	754,991	-	3,352	521,140	-	1,279,483
Accrued liabilities	536,923	8,172	-	53,333	-	80,882	679,310
Intergovernmental payables	-	-	-	-	-	26,655	26,655
Due to other funds	-	-	-	-	-	739,156	739,156
Deposits and other liabilities	499,356	613,503	-	23,763	-	3,430	1,140,052
Deferred revenue	418,980	1,216,287	-	32,073	-	48,924	1,716,264
Total liabilities	2,436,495	3,312,290	-	237,695	557,383	1,117,045	7,660,908
Fund Balance							
Nonspendable:							
Inventories	73,232	-	-	21,608	-	-	94,840
Prepays	45,293	500	-	7,437	-	17,657	70,887
Advances	589,044	-	-	-	-	-	589,044
Restricted:							
Municipal court technology & security	720,043	-	-	-	-	-	720,043
Franchise peg fees	148,672	-	-	-	-	-	148,672
Parks and recreation development	-	-	-	1,899,840	-	-	1,899,840
Crime control district	-	-	-	-	-	1,054,615	1,054,615
Debt service	-	-	2,267,515	-	-	2,367,957	4,635,472
Grants	-	-	-	-	-	27,688	27,688
Promotional & economic development	-	-	-	-	-	1,128,458	1,128,458
Public safety	-	-	-	-	-	605,052	605,052
Capital projects (bond funded)	-	38,865,372	-	309,554	11,310,480	859,586	51,344,992
Committed:							
Donations	-	-	-	-	-	886,728	886,728
Drainage utility	-	-	-	-	-	1,205,750	1,205,750
Gas development	-	-	-	-	-	1,529,823	1,529,823
Assigned:							
Savings incentive program	250,360	-	-	-	-	-	250,360
Retirement stabilization	250,000	-	-	-	-	-	250,000
Utility billing assistance	71,672	-	-	-	-	-	71,672
Rail station project	800,000	-	-	-	-	-	800,000
Municipal Facilities	2,000,000	-	-	-	-	7,027,477	9,027,477
Capital projects	-	9,223,104	-	-	-	-	9,223,104
Encumbrances	387,534	-	-	-	-	82,842	470,376
Unassigned	8,992,908	-	-	-	-	-	8,992,908
Total fund balance	14,328,758	48,088,976	2,267,515	2,238,439	11,310,480	16,793,633	95,027,801
Total liabilities and fund balance	\$ 16,765,253	\$ 51,401,266	\$ 2,267,515	\$ 2,476,134	\$ 11,867,863	\$ 17,910,678	\$ 102,688,709

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

CITY OF NORTH RICHLAND HILLS, TEXAS
 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
GOVERNMENTAL FUNDS
 September 30, 2012

Total fund balances--governmental funds	\$ 95,027,801
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities resources (excluding internal service capital assets) are not financial resources and, therefore, are not reported as net assets in governmental funds.	236,262,987
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Certain receivables are not available to pay current-period expenditures and, therefore, are deferred in the funds.	1,660,417
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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 are included with governmental activities in the Statement of Net Assets but are not included at the fund level.	10,530,566
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Long-term liabilities and related deferred costs , including bonds payable, loans payable, accrued interest payable, bond issuance costs, 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.	<u>(110,493,924)</u>
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Total net assets--governmental activities	<u><u>\$ 232,987,847</u></u>
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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, 2012

	General Fund	General Capital Projects	General Debt Service	Parks and Recreation Development	Tax Increment Finance District #2	Other Governmental	Total Governmental
REVENUES							
Taxes	\$ 26,834,278	\$ -	\$ 5,274,542	\$ 4,241,341	\$ -	\$ 7,427,822	\$ 43,777,983
License and permits	1,543,875	-	-	-	-	-	1,543,875
Charges for services	3,361,293	-	-	1,913,704	-	1,440,034	6,715,031
Fines	2,421,696	-	-	-	-	-	2,421,696
Civil citations	-	-	-	-	-	778,393	778,393
Contributions	3,420	-	-	1,700	-	171,620	176,740
Special assessments	-	200	-	-	-	-	200
Investment income	83,247	124,295	6,905	21,574	116,239	63,066	415,326
Intergovernmental	1,485,752	2,574,512	82,852	271,903	-	1,317,304	5,732,323
Forfeitures	-	-	-	-	-	138,604	138,604
Miscellaneous	252,382	-	-	355,713	-	755,484	1,363,579
Total revenues	<u>35,985,943</u>	<u>2,699,007</u>	<u>5,364,299</u>	<u>6,805,935</u>	<u>116,239</u>	<u>12,092,327</u>	<u>63,063,750</u>
EXPENDITURES							
General government	9,945,696	474,016	-	-	-	410,081	10,829,793
Public safety	21,633,596	3,284	-	-	-	5,323,110	26,959,990
Culture and recreation	3,301,801	81,078	-	5,580,061	-	200,167	9,163,107
Public works	2,514,266	1,087,393	-	-	-	-	3,601,659
Capital outlay:							
General government	-	841,657	-	-	-	296,902	1,138,559
Public safety	49,659	771	-	-	-	60,799	111,229
Culture and recreation	-	-	-	3,302,285	6,242,929	191,552	9,736,766
Public works	33,457	4,896,600	-	-	-	28,460	4,958,517
Debt service:							
Principal retirement	-	-	5,542,696	394,251	-	2,910,000	8,846,947
Interest and fiscal charges	-	-	2,024,686	2,151	-	1,065,335	3,092,172
Total expenditures	<u>37,478,475</u>	<u>7,384,799</u>	<u>7,567,382</u>	<u>9,278,748</u>	<u>6,242,929</u>	<u>10,486,406</u>	<u>78,438,739</u>
Excess (deficiency) of revenues over expenditures	<u>(1,492,532)</u>	<u>(4,685,792)</u>	<u>(2,203,083)</u>	<u>(2,472,813)</u>	<u>(6,126,690)</u>	<u>1,605,921</u>	<u>(15,374,989)</u>
OTHER FINANCING SOURCES (USES)							
Issuance of debt	-	25,830,000	-	394,251	-	-	26,224,251
Proceeds from refunding of debt	-	-	2,884,934	-	-	814,454	3,699,388
Premium on issuance of debt	-	255,000	236,542	-	-	54,622	546,164
Payment to refunded bond escrow agent	-	-	(2,940,000)	-	-	(869,076)	(3,809,076)
Proceeds from sale of assets	1,592	3,142,032	-	1,656	-	-	3,145,280
Transfers in	3,991,159	875,000	2,067,541	555,243	-	1,216,661	8,705,604
Transfers out	(1,438,333)	(188,114)	-	(1,923,917)	-	(1,292,415)	(4,842,779)
Total other financing sources (uses)	<u>2,554,418</u>	<u>29,913,918</u>	<u>2,249,017</u>	<u>(972,767)</u>	<u>-</u>	<u>(75,754)</u>	<u>33,668,832</u>
Net change in fund balance	<u>1,061,886</u>	<u>25,228,126</u>	<u>45,934</u>	<u>(3,445,580)</u>	<u>(6,126,690)</u>	<u>1,530,167</u>	<u>18,293,843</u>
Fund balance - beginning of year (as previously reported)	13,266,872	22,860,850	2,221,581	5,684,019	-	12,962,945	56,996,267
Adjustment to beginning fund balance, accounting standard implementation	-	-	-	-	17,437,170	2,300,521	19,737,691
Fund balance - beginning of year (as restated)	<u>13,266,872</u>	<u>22,860,850</u>	<u>2,221,581</u>	<u>5,684,019</u>	<u>17,437,170</u>	<u>15,263,466</u>	<u>76,733,958</u>
Fund balance - end of the year	<u>\$ 14,328,758</u>	<u>\$ 48,088,976</u>	<u>\$ 2,267,515</u>	<u>\$ 2,238,439</u>	<u>\$ 11,310,480</u>	<u>\$ 16,793,633</u>	<u>\$ 95,027,801</u>

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

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, 2012

Net change in fund balances--total governmental funds	\$ 18,293,843
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.	9,288,350
The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net assets.	(170,654)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(955,424)
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.	(1,721,190)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the difference between repayments and proceeds received.	(18,179,724)
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).	452,696
Change in net assets of governmental activities	\$ 7,007,897

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 Assets

PROPRIETARY FUNDS

September 30, 2012

	Enterprise Funds				Governmental
	Utility	Golf	Aquatic Park	Total Enterprise	Activities - Internal Service
ASSETS					
Current					
Cash, cash equivalents, and investments	\$ 13,539,122	\$ 639,978	\$ 3,932,320	\$ 18,111,420	\$ 7,428,352
Accounts receivable, net of allowance:					
Billed	2,453,255	-	-	2,453,255	-
Unbilled	1,946,324	-	-	1,946,324	-
Other	365,869	15,627	92,705	474,201	13,575
Interest receivable	46,784	3,859	11,110	61,753	31,885
Intergovernmental receivable	475,550	-	-	475,550	-
Prepaid items	10,958	39,041	6,195	56,194	293,564
Due from other funds	34,208	-	-	34,208	-
Inventories, at cost	300,391	44,735	17,220	362,346	140,296
Total current assets	<u>19,172,461</u>	<u>743,240</u>	<u>4,059,550</u>	<u>23,975,251</u>	<u>7,907,672</u>
Noncurrent					
Restricted assets					
Cash, cash equivalents, and investments					
Construction funds	9,388,772	389,013	89,420	9,867,205	146,314
Impact fees construction funds	1,769,418	-	-	1,769,418	-
Customer deposits	2,016,185	-	-	2,016,185	-
Future claims	-	-	-	-	4,957,609
Total restricted cash and cash equivalents	<u>13,174,375</u>	<u>389,013</u>	<u>89,420</u>	<u>13,652,808</u>	<u>5,103,923</u>
Bond issue costs, net of amortization	126,675	9,068	115,413	251,156	-
Advances to other funds	169,863	-	-	169,863	-
Capital assets, at cost					
Land	75,366	1,758,000	745,771	2,579,137	272,293
Building and improvements	1,136,327	802,762	2,465,961	4,405,050	-
Other improvements	-	5,290,587	19,344,410	24,634,997	602,769
Utility plant in service	99,445,407	-	-	99,445,407	-
Machinery and equipment	1,767,655	2,277,644	830,855	4,876,154	8,413,456
Construction in progress	518,124	-	-	518,124	43,525
Accumulated depreciation	<u>(48,620,173)</u>	<u>(5,373,200)</u>	<u>(8,204,707)</u>	<u>(62,198,080)</u>	<u>(5,722,416)</u>
Net capital assets	<u>54,322,706</u>	<u>4,755,793</u>	<u>15,182,290</u>	<u>74,260,789</u>	<u>3,609,627</u>
Total noncurrent assets	<u>67,793,619</u>	<u>5,153,874</u>	<u>15,387,123</u>	<u>88,334,616</u>	<u>8,713,550</u>
Total assets	<u>86,966,080</u>	<u>5,897,114</u>	<u>19,446,673</u>	<u>112,309,867</u>	<u>16,621,222</u>
LIABILITIES					
Current					
Accounts payable and accrued expenses	2,400,256	200,154	119,866	2,720,276	1,424,868
Retainage payable	17,798	-	28,546	46,344	-
Other current liabilities	81,461	19,024	5,257	105,742	25,019
Compensated absences	25,140	-	6,621	31,761	18,146
Unearned revenue	-	102,978	6,530	109,508	-
Due to other funds	-	181,968	-	181,968	-
Accrued interest payable	30,217	3,784	34,721	68,722	-
Bonds payable	681,788	93,212	790,864	1,565,864	-
Capital lease payable	-	70,419	-	70,419	-
Total current liabilities	<u>3,236,660</u>	<u>671,539</u>	<u>992,405</u>	<u>4,900,604</u>	<u>1,468,033</u>
Noncurrent					
Customer deposits	2,016,185	-	-	2,016,185	-
General obligation bonds payable	9,667	182,004	875,652	1,067,323	-
Certificates of obligation bonds payable	9,826,923	704,272	5,619,788	16,150,983	-
Capital lease payable	-	317,426	-	317,426	-
Compensated absences	352,106	-	74,605	426,711	252,716
Intergovernmental payables	833,620	-	-	833,620	-
Advances from other funds	-	758,907	-	758,907	-
Other post employment benefits obligation	571,619	-	94,335	665,954	444,919
Net pension obligation	416,106	-	69,497	485,603	328,221
Total noncurrent liabilities	<u>14,026,226</u>	<u>1,962,609</u>	<u>6,733,877</u>	<u>22,722,712</u>	<u>1,025,856</u>
Total liabilities	<u>17,262,886</u>	<u>2,634,148</u>	<u>7,726,282</u>	<u>27,623,316</u>	<u>2,493,889</u>
NET ASSETS					
Invested in capital assets, net of related debt	51,047,518	3,669,235	7,898,629	62,615,382	3,609,627
Impact fees restricted for construction	2,710,553	-	-	2,710,553	-
Unrestricted (deficit)	15,945,123	(406,269)	3,821,762	19,360,616	10,517,706
Total net assets	<u>\$ 69,703,194</u>	<u>\$ 3,262,966</u>	<u>\$ 11,720,391</u>	<u>\$ 84,686,551</u>	<u>\$ 14,127,333</u>

Reconciliation to business-type activities:

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

Net assets of business-type activities

3,596,767
\$ 88,283,318

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

CITY OF NORTH RICHLAND HILLS, TEXAS
Statement of Expense, Revenues, and Changes in Net Assets
PROPRIETARY FUNDS
Year Ended September 30, 2012

	Enterprise Funds				Governmental
	Utility	Golf	Aquatic Park	Total Enterprise	Activities - Internal Service
OPERATING REVENUES					
Charges for services:					
Water and sewer service	\$ 27,831,190	\$ -	\$ -	\$ 27,831,190	\$ -
Service charges	936,136	-	-	936,136	-
Inspection fees	67,467	-	-	67,467	-
Golf course fees and charges	-	2,438,409	-	2,438,409	-
Aquatic park admissions and services	-	-	4,514,598	4,514,598	-
Other intergovernmental	80,660	50,744	-	131,404	43,883
Risk management	-	-	-	-	8,577,291
Facility and fleet management	-	-	-	-	5,258,763
Information systems management	-	-	-	-	2,370,885
Miscellaneous revenues	15,782	-	33,230	49,012	281,944
Total operating revenues	<u>28,931,235</u>	<u>2,489,153</u>	<u>4,547,828</u>	<u>35,968,216</u>	<u>16,532,766</u>
OPERATING EXPENSES					
Claims	-	-	-	-	6,852,518
Contractual services	1,628,276	-	937,108	2,565,384	1,993,276
Water purchases	7,922,294	-	-	7,922,294	-
Wastewater treatment services	3,845,819	-	-	3,845,819	-
Personnel services	5,038,489	-	1,824,579	6,863,068	3,546,077
Golf course sales and service	-	2,024,795	-	2,024,795	-
Repairs and maintenance	4,707,076	-	75,017	4,782,093	1,348,538
Supplies	258,760	-	715,370	974,130	1,227,224
Depreciation	3,078,135	368,511	759,839	4,206,485	806,717
Total operating expenses	<u>26,478,849</u>	<u>2,393,306</u>	<u>4,311,913</u>	<u>33,184,068</u>	<u>15,774,350</u>
Operating income	<u>2,452,386</u>	<u>95,847</u>	<u>235,915</u>	<u>2,784,148</u>	<u>758,416</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	38,304	4,969	7,206	50,479	22,443
Interest and fiscal charges	(163,292)	(36,667)	(442,036)	(641,995)	-
Other income (expense)	18	6,891	-	6,909	111,105
Gain (loss) on disposal of assets	(404,829)	5,456	1,000	(398,373)	38,927
Total nonoperating revenues (expenses)	<u>(529,799)</u>	<u>(19,351)</u>	<u>(433,830)</u>	<u>(982,980)</u>	<u>172,475</u>
Income (loss) before transfers	<u>1,922,587</u>	<u>76,496</u>	<u>(197,915)</u>	<u>1,801,168</u>	<u>930,891</u>
TRANSFERS					
Transfers in	-	-	-	-	301,231
Transfers out	(3,547,359)	-	(198,701)	(3,746,060)	(417,996)
Total transfers - net	<u>(3,547,359)</u>	<u>-</u>	<u>(198,701)</u>	<u>(3,746,060)</u>	<u>(116,765)</u>
Change in net assets	<u>(1,624,772)</u>	<u>76,496</u>	<u>(396,616)</u>	<u>(1,944,892)</u>	<u>814,126</u>
Net assets - beginning of year	<u>71,327,966</u>	<u>3,186,470</u>	<u>12,117,007</u>	<u>86,631,443</u>	<u>13,313,207</u>
Net assets - end of year	<u>\$ 69,703,194</u>	<u>\$ 3,262,966</u>	<u>\$ 11,720,391</u>	<u>\$ 84,686,551</u>	<u>\$ 14,127,333</u>
Reconciliation of Change in Net Assets - Business-type Activities:					
Change in net assets of enterprise funds				(1,944,892)	
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				361,430	
Change in net assets of business-type activities				<u>\$ (1,583,462)</u>	

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

CITY OF NORTH RICHLAND HILLS, TEXAS
Combining Statement of Cash Flows
PROPRIETARY FUNDS
Year Ended September 30, 2012

	Enterprise Funds				Governmental Activities - Internal Service
	Utility	Golf	Aquatic Park	Totals	
Cash flows from operating activities:					
Receipts from customers	\$ 28,840,206	\$ 2,437,741	\$ 4,473,209	\$ 35,751,156	\$ -
Receipts from interfund services provided	-	-	-	-	16,206,939
Other operating revenue	222,478	84,097	37,168	343,743	321,384
Payments to suppliers	(17,358,595)	(1,987,628)	(1,742,228)	(21,088,451)	(11,286,013)
Payments to employees	(4,821,809)	-	(1,784,566)	(6,606,375)	(3,358,158)
Net cash provided by (used for) operating activities	<u>6,882,280</u>	<u>534,210</u>	<u>983,583</u>	<u>8,400,073</u>	<u>1,884,152</u>
Cash flows from noncapital financing activities:					
Transfers from other funds	-	-	-	-	301,231
Transfers to other funds	(3,547,359)	-	(198,701)	(3,746,060)	(417,996)
Interfund loan receipts	-	(147,760)	-	(147,760)	-
Net cash provided by (used for) noncapital and related financing activities	<u>(3,547,359)</u>	<u>(147,760)</u>	<u>(198,701)</u>	<u>(3,893,820)</u>	<u>(116,765)</u>
Cash flows from capital and related financing activities:					
Insurance recovery proceeds	18	6,891	-	6,909	111,105
Proceeds from capital debt	5,365,000	295,000	-	5,660,000	-
Acquisition and construction of capital assets	(1,672,204)	(221,425)	(1,060,027)	(2,953,656)	(1,050,706)
Principal paid on capital debt	(413,964)	(67,192)	(401,299)	(882,455)	-
Interest paid on capital debt	(211,026)	(35,742)	(462,519)	(709,287)	-
Developer contributions	(44,128)	-	-	(44,128)	-
Proceeds from sale of capital assets	-	5,456	1,000	6,456	38,927
Net cash provided by (used for) capital and related financing activities	<u>3,023,696</u>	<u>(17,012)</u>	<u>(1,922,845)</u>	<u>1,083,839</u>	<u>(900,674)</u>
Cash flows from investing activities:					
Interest and dividends received	33,554	3,275	6,027	42,856	10,026
Net cash provided by investing activities equivalents	<u>33,554</u>	<u>3,275</u>	<u>6,027</u>	<u>42,856</u>	<u>10,026</u>
Cash and cash equivalent beginning of year	20,321,326	656,278	5,153,676	26,131,280	11,655,536
Cash and cash equivalent end of year	<u>\$ 26,713,497</u>	<u>\$ 1,028,991</u>	<u>\$ 4,021,740</u>	<u>\$ 31,764,228</u>	<u>\$ 12,532,275</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ 2,452,386	\$ 95,847	\$ 235,915	\$ 2,784,148	\$ 758,416
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation expense	3,078,135	368,511	759,839	4,206,485	806,717
(Increase) decrease in accounts receivable	5,413	(668)	(41,389)	(36,644)	7,091
(Increase) decrease in intergovernmental receivables	(86,057)	-	-	(86,057)	-
(Increase) decrease in inventories	17,594	3,163	(1,506)	19,251	(51,345)
(Increase) decrease in prepaid items	(809)	(16,301)	1,820	(15,290)	(121,750)
Increase (decrease) in accounts payable	1,011,363	116,051	(3,882)	1,123,532	1,219,323
Increase (decrease) in customer deposits payable	123,469	-	-	123,469	-
Increase (decrease) in compensating absences	(5,390)	-	4,500	(890)	21,424
Increase (decrease) in other post employment benefits	164,730	-	26,343	191,073	123,587
Increase (decrease) in intergovernmental payable	88,624	-	-	88,624	-
Increase (decrease) in other liabilities	43,722	(23,540)	679	20,861	14,670
Increase (decrease) in net pension obligation	57,340	-	9,170	66,510	42,908
Increase (decrease) in unearned revenues	-	33,353	3,938	37,291	(11,534)
Increase (decrease) in accrued liabilities	(68,240)	(42,206)	(11,844)	(122,290)	(925,355)
Total adjustments	<u>4,429,894</u>	<u>438,363</u>	<u>747,668</u>	<u>5,615,925</u>	<u>1,125,736</u>
Net cash provided by (used for) operating activities	<u>\$ 6,882,280</u>	<u>\$ 534,210</u>	<u>\$ 983,583</u>	<u>\$ 8,400,073</u>	<u>\$ 1,884,152</u>
Noncash from capital and related financing activities:					
Refunding of debt principal	\$ -	\$ -	\$ 1,015,612	\$ 1,015,612	\$ -
Premium received on refunding	-	-	68,113	68,113	-
Bond costs paid on refunding	-	-	(23,909)	(23,909)	-
Capital lease to purchase machinery and equipment	-	387,846	-	387,846	-
Capitalized interest	13,809	930	26,701	41,440	-
Loss on disposal of assets	(404,829)	-	-	(404,829)	-

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

CITY OF NORTH RICHLAND HILLS, TEXAS
Statement of Net Assets
FIDUCIARY FUNDS
September 30, 2012

	OPEB Trust
ASSETS	
Investments, at fair value	
Mutual funds	\$ 794,386
Total assets	794,386
NET ASSETS	
Held in trust for other post employment benefits	794,386
Total net assets	\$ 794,386

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 Assets
FIDUCIARY FUNDS
For the Year Ended September 30, 2012

	OPEB Trust
ADDITIONS	
Contributions:	
Employer	\$ 1,225,966
Investment earnings	105,460
Total additions	1,331,426
DEDUCTIONS	
Benefit payments	1,125,966
Investment expense	6,489
Total deductions	1,132,455
Change in net assets	198,971
Net assets - beginning	595,415
Net assets - ending	\$ 794,386

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, 2012

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CITY OF NORTH RICHLAND HILLS

Notes to Basic Financial Statements

September 30, 2012

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. Effective fiscal year 2012, 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.

During fiscal 2012 the City early implemented GASB Statement no. 61: *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 39*. This statement added additional guidance and requirements regarding when a component unit should be blended into the City's financial statements. In light of this additional guidance, along with the recent activity of the TIF's in relation to the City, management has now determined that the TIF's clearly meet the criteria for blending. Therefore, as part of the implementation of GASB 61, the TIF's are no longer reflected as discretely presented, but rather as blended component units. Therefore beginning net assets and fund balances of the City, as well as various other components of the City's financial statements, have been restated for a change in reporting entity related to the implementation of a new accounting standard.

CITY OF NORTH RICHLAND HILLS

Notes to Basic Financial Statements

September 30, 2012

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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.

CITY OF NORTH RICHLAND HILLS

Notes to Basic Financial Statements

September 30, 2012

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.

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 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.

The Aquatic Park Fund (a major fund) accounts for the operation of NRH₂O, 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.

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise or business type activity financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for the business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, interfund services provided and used are not eliminated in the consolidation process.

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

CITY OF NORTH RICHLAND HILLS

Notes to Basic Financial Statements

September 30, 2012

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 undesignated resources as they are needed.

D. Assets, Liabilities, and Net Assets 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.

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, 2012, 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 IV).

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

CITY OF NORTH RICHLAND HILLS

Notes to Basic Financial Statements

September 30, 2012

governmental service and debt service for the year ended September 30, 2011 was \$.57 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 available 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 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 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 future medical, dental, prescription, or other risk payables that could arise in future fiscal periods. This fund

CITY OF NORTH RICHLAND HILLS
Notes to Basic Financial Statements
September 30, 2012

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.

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 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.

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 assets. Bond premiums and discounts, issuance costs, and losses on bond refundings are deferred and amortized over the life of the related

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debt using the straight-line method which approximates the interest method. Bonds payable are reported net of the applicable unamortized loss on refunding.

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

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.

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.
- Gas Development funds are to be used for specific projects for various reasons such as deemed necessary by city management. Management has committed these funds for Davis Boulevard Property acquisition (\$3.2 million).

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 identify and implement cost savings measures whereby savings would be accumulated for authorized 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,
- The assignments for general government, public safety, culture and recreation, and public works are encumbrances outstanding at year end.

Order of Fund Balance Spending Policy

The City's policy is to apply an expenditure to amounts available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

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 assets

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

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 \$236,262,987 difference are as follows:

Capital assets, net of depreciation (internal service funds excluded)	\$ 231,617,103
Construction in progress	4,645,884
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities	\$ 236,262,987

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 \$1,660,417 difference are as follows:

Interest earned but not available within 60 days for Govt. Activities	\$ 28,697
Deferred revenue (unearned portion)	1,631,720
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities	\$ 1,660,417

The third 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 Assets but are not included at the fund level.” The details of the \$10,692,515 difference are as follows:

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Net assets, internal service funds combined	\$ 14,127,333
Amount allocated to business-type activities	<u>(3,596,767)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities	<u><u>\$ 10,530,566</u></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 \$(110,493,924) difference are as follows:

Bonds payable - short-term	\$ (7,994,136)
Bonds payable - long-term	(91,159,549)
Loans payable - short-term	(415,082)
Loans payable - long-term	(425,343)
Accrued interest payable	(382,042)
Bond issuance costs	976,011
Compensated absences	(2,788,357)
Other post employment benefits obligation	(4,750,939)
Net pension obligation	<u>(3,554,487)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u><u>\$ (110,493,924)</u></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 assets 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 \$9,288,350 difference are as follows:

Capital outlay - assets acquisitions	\$ 16,133,185
Depreciation expense	<u>(6,844,835)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ 9,288,350</u></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 assets.” The details of this \$(170,654) difference are as follows:

Asset retirements and impairments	\$ (615,367)
Contribution of Capital Assets from outside organizations	<u>444,713</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ (170,654)</u></u>

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The next element of that reconciliation explains that “revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$(955,424) difference are as follows:

Investment income not available for current financial resources	\$ (136,841)
Deferred revenue that is earned but not received	<u>(818,583)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (955,424)</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 \$(1,721,190) difference are as follows: (Excludes Internal Service Funds)

Changes in:	
Accrued interest/interest expense	\$ 7,750
Other post employment benefits	(1,311,497)
Net pension obligation	(456,628)
Compensated absences	<u>39,185</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (1,721,190)</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 assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the difference between repayments and proceeds received.” The details of this \$(18,179,724) difference are as follows: (Excludes Internal Service Funds)

Debt issued or incurred:	
General obligation bonds	\$ (25,830,000)
Refunding of bonds	(3,699,388)
Capital lease	(394,251)
Principal repayments:	
General obligation bonds	3,955,000
General Obligation bonds - refunding	3,770,000
Certificates of obligation bonds	2,925,000
Sales tax revenue bonds	1,030,000
Loan repayments	399,547
Capital lease repayments	394,251
Premium on bond sale	(546,164)
Bond costs on current year issuance	240,153
Deferred gain on bond refunding	(193,433)
Current year amortization of bond costs, premium, discount, gain and loss	<u>(230,439)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (18,179,724)</u>

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Another element of that reconciliation states that “the net revenue (expense) of internal service funds is reported with governmental activities.” The details of the \$614,645 difference are as follows:

Change in net assets - internal service funds combined	\$	814,126
Income (Expenses) reflected in business-type activities		<u>(361,430)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities		<u>\$ 452,696</u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit fund equity

The ARRA Grant Funds had a deficit fund balance of \$27,245 as of September 30, 2012. This fund records grant transactions for governmental fund activities. During the year the grant activity recorded were reimbursable grant expenditures which at year end were not to available and therefore deferred. This negative fund balances will be eliminated upon receipt of receivable and recognizing of revenues from deferred status.

IV. 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 assets as “Cash and Cash Equivalents”.

The investment policy of the City are governed by State statue 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 in 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 statues require all time and demand deposits to be fully insured or collateralized. At September 30, 2012 the carrying amount of the City’s demand deposits and cash on hand were \$9,594,585. Accounts with under \$250,000 balance of either an interest bearing account or non-interest bearing account are covered by FDIC deposit insurance.

As of September 30, 2012, 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.

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

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The City's investment pool held the following cash, cash equivalents, and investments as of September 30, 2012:

	<u>Total</u>
Cash on hand (petty cash, cashier tills)	\$ 16,060
Demand Deposit Accounts	9,194,414
Investment Pools	68,824,790
Certificates of Deposit	400,000
US Treasury Notes	32,395,779
U.S. Agencies	27,755,237
Total deposits and investments	\$ 138,586,281

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 previous table are defined as follows: FHLB – Federal Home Loan Bank, FNMA – Federal National Mortgage Discounted Notes, and USTR – U.S. Treasury Notes. The rating agency acronyms are defined as follows: S&P – Standard and Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc.; Moody's – Moody's Investor Service, Inc.; and, Fitch – Fitch Ratings. Additional information about the rating agencies or the significance of the ratings provided may be obtained from each 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 component units, the City's investment practices and policies disclosed herein apply equally to its component units. During the year ended September 30, 2012, the City did not own any types of securities other than those permitted by statute.

On August 5, 2011 Standard and Poors, one of three nationally recognized raters of US debt and securities, downgraded the rating of long-term US and government sponsored entities sovereign debt from AAA to AA+ for the first time since 1941 with a negative outlook. The two other national raters, Moody's and Fitch, continue to have the highest ratings, but also have the debt on their watch lists.

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. 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.

CITY OF NORTH RICHLAND HILLS
Notes to Basic Financial Statements
September 30, 2012

The table below states investments at fair value:

Investment Type	WAM	Rating	Rating Agency	Total
Investment pools:				
TexPool	44	AAAm	S&P	\$ 53,598,479
LOGIC	46	AAAm	S&P	12,847,254
TexSTAR	40	AAAm	S&P	2,379,057
Total pools				<u>\$ 68,824,790</u>
Certificates of Deposit:	5	NR	NR	400,000
Total certificates of deposit				<u>\$ 400,000</u>
U.S. Treasuries	280	AA+	S&P	32,395,779
Total U.S. Treasuries				<u>\$ 32,395,779</u>
U.S. Agencies and Government Sponsored Entities:				
FHLB	46	AA+	S&P	\$ 7,035,556
FHLMC	87	AA+	S&P	11,631,126
FNMA	122	AA+	S&P	9,088,555
Total U.S. Agencies & Government Sponsored Entities				<u>\$ 27,755,237</u>
Total Portfolio				<u><u>\$ 129,375,806</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. Treasuries	Other 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, 2012 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 \$794,386 as of September 30, 2012. The Trust's funds are invested in a mutual fund that are 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 Funds:	
Highmark Moderate	\$ 794,386
Total mutual funds	<u>\$ 794,386</u>
 Total Portfolio	 <u><u>\$ 794,386</u></u>

NR - not rated

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September 30, 2012

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 Recreation Development	Tax Increment Finance District #2	Non-major	Total
Accounts	\$ 3,057,484	\$ -	\$ -	\$ 102,103	\$ 3,159,587
Property taxes	623,293	-	381,738	-	1,005,031
Other taxes	1,792,041	720,207	-	782,909	3,295,157
Total	<u>\$ 5,472,818</u>	<u>\$ 720,207</u>	<u>\$ 381,738</u>	<u>\$ 885,012</u>	<u>\$ 7,459,775</u>
Allowance	(3,086,525)	-	(337,209)	(2,346)	(3,426,080)
Total (net of allowance)	<u>\$ 2,386,293</u>	<u>\$ 720,207</u>	<u>\$ 44,529</u>	<u>\$ 882,666</u>	<u>\$ 4,033,695</u>

Proprietary Funds:

	Utility	Golf	Aquatic Park	Total	Internal Service
Accounts	\$ 4,934,948	\$ 30,646	\$ 92,705	\$ 5,058,299	\$ 13,575
Total	<u>\$ 4,934,948</u>	<u>\$ 30,646</u>	<u>\$ 92,705</u>	<u>\$ 5,058,299</u>	<u>\$ 13,575</u>
Allowance	(169,500)	(15,019)	-	(184,519)	-
Total (net of allowance)	<u>\$ 4,765,448</u>	<u>\$ 15,627</u>	<u>\$ 92,705</u>	<u>\$ 4,873,780</u>	<u>\$ 13,575</u>

Deferred Revenue

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

	Unavailable	Unearned	Total Deferred Revenue
Delinquent property taxes receivable (General Fund)	\$ 151,251	\$ -	\$ 151,251
Ambulance (General Fund)	220,293	-	220,293
Escrow Deposits (General Fund)	-	18,625	18,625
LEOSE Public Safety proceeds (General Fund)	-	28,811	28,811
Forfeitures proceeds (Special Investigations Fund)	-	5,035	5,035
Deferred Revenue (Park and Recreation Fund)	-	32,073	32,073
Grant proceeds (Grant Fund)	43,889	-	43,889
Grant proceeds (General Capital Projects)	1,008,539	-	1,008,539
Special Assessments (General Capital Projects)	207,748	-	207,748
Total deferred/unearned revenue for governmental funds	<u>\$ 1,631,720</u>	<u>\$ 84,544</u>	<u>\$ 1,716,264</u>

CITY OF NORTH RICHLAND HILLS
Notes to Basic Financial Statements
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Reconciliation of unearned revenues to the Government-wide Statement of Net Assets is as follows:

Governmental activities for unearned revenue is:

	Unearned
Governmental funds	\$ 84,544
Total unearned revenue	\$ 84,544

Business-type activities for unearned revenue is:

	Unearned
Deposits, Check and Gift Certificates	\$ 102,978
Store Credit	6,530
Total deferred/unearned revenue for business funds	\$ 109,508

C. Capital assets

Capital asset activity for the year ended September 30, 2012 was as follows:

Primary Government	Beginning			Ending
Governmental activities:	Balance, restated (1)	Increases	Decreases	Balance
Capital assets, nondepreciable				
Land	\$ 76,688,297	\$ 942,571	\$ -	\$ 77,630,868
Works of art	298,209	-	1	298,208
Construction in progress	35,894,353	38,031,821	69,236,765	4,689,409
Total nondepreciable	112,880,859	38,974,392	69,236,766	82,618,485
Capital assets, depreciable:				
Buildings	39,323,691	24,077,339	-	63,401,030
Other improvements	160,689,487	21,984,442	-	182,673,929
Machinery and equipment	23,125,281	1,902,436	910,238	24,117,479
Total depreciable	223,138,459	47,964,217	910,238	270,192,438
Less accumulated depreciation for:				
Buildings	(17,094,532)	(2,130,629)	-	(19,225,161)
Other improvements	(73,163,441)	(4,712,801)	-	(77,876,242)
Machinery and equipment	(15,256,595)	(1,432,878)	(852,567)	(15,836,906)
Total accumulated depreciation	(105,514,568)	(8,276,308)	(852,567)	(112,938,309)
Total depreciable - net	117,623,891	39,687,909	57,671	157,254,129
Governmental activities - net	\$ 230,504,750	\$ 78,662,301	\$ 69,294,437	\$ 239,872,614

(1) Beginning amounts have been restated in conjunction with the implementation of a new accounting standard, GASB Statement NO. 61 (see footnote 1.A.)

CITY OF NORTH RICHLAND HILLS
Notes to Basic Financial Statements
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Primary Government	Beginning			Ending
Business-type activities:	Balance	Increases	Decreases	Balance
Capital assets, nondepreciable				
Land	\$ 2,579,137	\$ -	\$ -	\$ 2,579,137
Construction in progress	1,033,303	2,674,122	3,189,301	518,124
Total nondepreciable	<u>3,612,440</u>	<u>2,674,122</u>	<u>3,189,301</u>	<u>3,097,261</u>
Capital assets, depreciable:				
Buildings	3,757,904	647,146	-	4,405,050
Utility Plant	98,295,308	1,744,131	594,032	99,445,407
Other improvements	24,283,165	351,832	-	24,634,997
Machinery and equipment	3,900,868	1,101,282	125,996	4,876,154
Total depreciable	<u>130,237,245</u>	<u>3,844,391</u>	<u>720,028</u>	<u>133,361,608</u>
Less accumulated depreciation for:				
Buildings	(1,958,035)	(137,800)	-	(2,095,835)
Utility Plant	(44,147,564)	(2,911,977)	(189,010)	(46,870,531)
Other improvements	(9,646,163)	(821,214)	-	(10,467,377)
Machinery and equipment	(2,532,092)	(357,242)	(124,997)	(2,764,337)
Total accumulated depreciation	<u>(58,283,854)</u>	<u>(4,228,233)</u>	<u>(314,007)</u>	<u>(62,198,080)</u>
Total depreciable - net	<u>71,953,391</u>	<u>(383,842)</u>	<u>406,021</u>	<u>71,163,528</u>
Business-type activities - net	<u>\$ 75,565,831</u>	<u>\$ 2,290,280</u>	<u>\$ 3,595,322</u>	<u>\$ 74,260,789</u>

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

Governmental activities:	
General government	\$ 360,641
Public safety	711,818
Culture and recreation	2,257,459
Public works	4,139,673
Internal services	806,717
Total depreciation expense - governmental activities	<u>\$ 8,276,308</u>
Business-type activities:	
Water and sewer	\$ 3,078,135
Golf course	368,511
Aquatic park	781,587
Total depreciation expense - business-type activities	<u>\$ 4,228,233</u>

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Construction commitments

The City has active construction projects as of September 30, 2012. 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:

	Project Authorization	Expended to September 30, 2012	Committed
Streets, drainage, public safety, park improvements, municipal facilities, equipment, and utility improvements	\$ 134,126,739	\$ 61,189,604	\$ 72,937,135

D. Interfund receivables, payables, and transfers

At September 30, 2012, 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 repayment in 2017. The original Utility Fund loan was \$536,000. The current estimated pay-off is fiscal year 2017.

The General Fund provided temporary cash to the Grant Fund and ARRA Grant Fund for a reimbursable grant activity totaling \$739,156. Funds are expected to be reimbursed during the next fiscal period due to grantors reimbursing the City for the expenses covered.

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

Governmental activities:

Due to	Due from	Total
General Fund	Grant Fund	\$ 150,000
	ARRA Grant Fund	589,156
	Golf Fund	147,760
Total		\$ 886,916

Business-type activities:

Due to	Due from	Total
Water and Sewer Fund	Golf Fund	34,208
Total		\$ 34,208
Total for all funds		\$ 921,124

CITY OF NORTH RICHLAND HILLS
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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. 2012 advances to other funds ending balances were as follows:

Governmental activities:

Advances to General Fund	Advances from Golf fund	Total
Total		\$ 589,044

Business-type activities:

Advances to Water and Sewer Fund	Advances from Golf Fund	Total
Total		\$ 169,863
Total for all funds		\$ 758,907

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

	Transfer in:						Total
	General Fund	General Capital Projects	General Debt Service	Parks and Recreation Development	Other Governmental	Internal Service Funds	
Transfer out:							
Governmental:							
General Fund	\$ -	\$ 875,000	\$ -	\$ 487,102	\$ -	\$ 76,231	\$ 1,438,333
General Capital Projects	188,114	-	-	-	-	-	188,114
Parks and Recreation Development Fund	350,126	-	357,130	-	1,216,661	-	1,923,917
Other Governmental	-	-	1,292,415	-	-	-	1,292,415
Subtotal governmental funds	\$ 538,240	\$ 875,000	\$ 1,649,545	\$ 487,102	\$ 1,216,661	\$ 76,231	\$ 4,842,779
Proprietary:							
Utility Fund	\$ 3,322,359	\$ -	\$ -	\$ -	\$ -	\$ 225,000	\$ 3,547,359
Aquatic Park	130,560	-	-	68,141	-	-	198,701
Subtotal enterprise funds	3,452,919	-	-	68,141	-	225,000	3,746,060
Internal Service Funds	-	-	417,996	-	-	-	417,996
Grand total	\$ 3,991,159	\$ 875,000	\$ 2,067,541	\$ 555,243	\$ 1,216,661	\$ 301,231	\$ 9,006,835

CITY OF NORTH RICHLAND HILLS
Notes to Basic Financial Statements
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Governmental

In 2012, General Fund received \$1,516,667 for payment from Utility Fund for payment in lieu of taxes and franchise fees. Each year funds transfer funds into the General Debt Service Fund to help pay for principal retirement and interest expenditures associated with their funds. These transfers total \$2,067,541 and were transferred in from Gas Development Fund, Drainage Utility Fund, Parks and Recreation Development Fund, Facilities and Construction, and Fleet Services Fund. Another set of transfers went toward the construction or acquisition of capital for general government \$875,000. Parks and Recreation Development Fund received \$487,102 from General Fund. This amount represents prior budget level before new recreation facility became operational. This transfer is to maintain General Fund's support before new facility.

Non-major Governmental funds had transfers totaling \$1,216,661. The significant transfer includes the annual support from Parks and Recreation Development Corporation Fund to Parks Sales Tax Revenue Bond Debt Service for annual debt service requirements for the revenue bonds. This transfer totaled \$1,109,573. Economic Development also received \$107,088 from Parks and Recreation Development Corporation. This transfer is state law 4B sales tax proceeds that can be used for economic developments.

Proprietary

The General Fund transferred to the Internal Services funds a total of \$76,231 in 2012. This amount includes transfers to Fleet Service and Information Systems Funds. All transfer amounts of \$76,231 signifies a transfer in for additional support for future capital improvements.

Additional funds were transferred from the Utility Fund to Fleet Services and Information Systems Funds. These transfers were \$50,000 and \$175,000 respectively. Both transfers were for additional future project reserves for continuing future improvements to the infrastructure of the services provided by these internal service funds.

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 both governmental and business-type activities. During the year, \$25,830,000 in new general obligation bonds was issued. The City issued \$24,796,800 bonds for new municipal facilities and \$1,033,200 in drainage improvements. Included also was issuance of \$4.715 million for refunding of bonds. 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%	\$ 64,269,388
Business-type activities	2.00 - 4.20%	2,210,612
		<u>\$ 66,480,000</u>

CITY OF NORTH RICHLAND HILLS
Notes to Basic Financial Statements
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Annual debt service requirements to maturity for general obligations bonds are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 5,169,136	\$ 2,079,817	\$ 450,864	\$ 72,696
2014	5,163,148	1,895,779	291,852	60,807
2015	5,284,376	1,730,753	325,624	50,313
2016	4,948,918	1,567,013	276,082	39,215
2017	4,512,841	1,410,867	277,159	28,794
2018-2022	18,334,205	5,044,779	515,795	53,955
2023-2027	12,406,764	2,412,994	73,236	1,465
2028-2032	8,450,000	619,843	-	-
	<u>\$ 64,269,388</u>	<u>\$ 16,761,846</u>	<u>\$ 2,210,612</u>	<u>\$ 307,244</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. In fiscal year 2012, new CO's were issued in the amounts of \$5,660,000 for business-type activities.

Certificate of obligation bonds currently outstanding are as follows:

Purpose	Interest	Principal
	Rates	Amount
Governmental activities	2.00 - 5.00%	\$ 33,330,000
Business-type activities	2.00 - 5.00%	16,415,000
		<u>\$ 49,745,000</u>

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

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 2,420,000	\$ 1,166,612	\$ 1,115,000	\$ 546,041
2014	2,420,000	1,084,446	1,125,000	503,394
2015	2,340,000	1,007,253	1,010,000	468,300
2016	2,340,000	932,304	1,000,000	436,394
2017	2,290,000	857,922	995,000	405,908
2018-2022	10,775,000	3,144,939	4,635,000	1,569,153
2023-2027	9,695,000	1,162,392	4,130,000	815,138
2028-2032	1,050,000	75,475	2,405,000	156,065
	<u>\$ 33,330,000</u>	<u>\$ 9,431,342</u>	<u>\$ 16,415,000</u>	<u>\$ 4,900,392</u>

CITY OF NORTH RICHLAND HILLS
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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	2.00 - 4.75%	\$ 615,000
		<u>\$ 615,000</u>

Revenue bond debt service requirements to maturity are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2013	\$ 405,000	\$ 15,789
2014	105,000	11,026
2015	105,000	5,513
	<u>\$ 615,000</u>	<u>\$ 32,328</u>

Loans payable

Governmental activities acquired a loan to pay for certain land acquisition for the new recreation center erection in 2012. The loan will be repaid with proceeds from the City's gas development and royalties sources. The original loan principal totaled \$1,573,525 with an annual interest rate of 3.75%. The loan payable debt service requirements to maturity are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2013	\$ 415,082	\$ 24,761
2014	402,379	8,700
2015	22,965	486
	<u>\$ 840,426</u>	<u>\$ 33,947</u>

Capital Leases

Golf Fund entered into a lease agreement as lessee for the financing the acquisition of golf cart equipment valued at \$387,845. The equipment has a 4 year estimated useful life. 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.

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

Year Ending September 30,	Business-type Activities
2013	\$ 81,799
2014	81,799
2015	81,799
2016	81,799
2017	92,400
Total Minimum Lease Payments	419,597
Less: Amount representing interest	(31,751)
	\$ 387,846

Refunding of Debt

On January 11, 2012, the City issued \$4.715 million in General Obligation Bonds with an average interest rate of 3.758 percent to partial refund \$4.805 million of outstanding 2002 and 2003 General Obligation and Certificate of Obligations with an average interest rate of 4.738 percent. The net proceeds of \$5,034,454 million (after payment of \$117,167 in underwriting fees, insurance, and other issuance costs) plus an additional \$117,167 of debt service fund monies 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 \$246,537. This difference, reported in the accompanying financial statements as an increase from deferred gain on refunding, is being charged to operations through the year 2023. The City completed the refunding to reduce its total debt service payments over the next 10 years of \$785,000 to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$227,682.

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CITY OF NORTH RICHLAND HILLS

Notes to Basic Financial Statements

September 30, 2012

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2012, is reflected in the following tables.

	Beginning Balance, restated (1)	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable					
General Obligation Bonds	\$ 41,300,000	\$ 29,529,388	\$ 6,560,000	\$ 64,269,388	\$ 5,169,136
Certificates of Obligation	37,420,000	-	4,090,000	33,330,000	2,420,000
Sales Tax Revenue Bonds	1,645,000	-	1,030,000	615,000	405,000
Loans Payable	1,241,671	-	401,245	840,426	415,082
Capital Lease	-	394,251	394,251	-	-
Deferred Loss on Refunding	(470,537)	-	(139,736)	(330,801)	-
Deferred Gain on Refunding	-	193,433	(63,515)	256,948	-
Premium on Bond Issues	514,039	546,164	25,251	1,034,952	-
Discount on Bond Issues	(14,283)	-	7,520	(21,803)	-
Compensated Absences	3,076,980	416,595	434,356	3,059,219	183,114
Total Governmental Activities	\$ 84,712,870	\$ 31,079,831	\$ 12,739,372	\$ 103,053,329	\$ 8,592,332

(1) Beginning amounts have been restated in conjunction with the implementation of a new accounting standard, GASB Statement standard, GASB Statement NO. 61 (see footnote 1.A.)

Business-Type Activities:

Bonds Payable					
General Obligation Bonds	\$ 1,405,000	\$ 1,015,612	\$ 210,000	\$ 2,210,612	\$ 450,864
Certificates of Obligation	12,607,445	5,660,000	1,852,445	16,415,000	1,115,000
Capital Lease	-	387,846	-	387,846	70,419
Deferred Loss on Refunding	(32,480)	-	(6,633)	(25,847)	-
Deferred Gain on Refunding	-	53,104	3,621	49,483	-
Premium on Bond Issues	29,136	82,513	(64,981)	176,630	-
Discount on Bond Issues	(2,481)	-	39,228	(41,709)	-
Compensated Absences	446,458	51,507	39,493	458,472	31,761
Total Business-Type Activities	\$ 14,453,078	\$ 7,250,582	\$ 2,073,173	\$ 19,630,487	\$ 1,668,044

Defeased Debt Outstanding

In prior years, the City defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. \$175 thousand of bonds outstanding are considered defeased.

V. 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

CITY OF NORTH RICHLAND HILLS
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participating funds and are available to pay claims, claim reserves, and administrative costs of the program. As of September 30, 2012, the interfund premiums did not exceed expenses.

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 policy covers individual claims in excess of \$175,000 and/or \$4,994,679 in the aggregate for a 12-month period beginning on January 1, 2012. Changes in the balances of claims liabilities during the past two years are as follows:

	<u>2012</u>	<u>2011</u>
Unpaid claims, beginning of year	\$ 866,542	\$ 1,041,149
Incurred claims (including IBNR)	7,022,699	6,283,789
Claim expense	<u>(6,852,517)</u>	<u>(6,458,396)</u>
Unpaid claims, end of year	<u>\$ 1,036,724</u>	<u>\$ 866,542</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. Conduit debt obligations

The City has issued Health Facilities Development Bonds to provide financial assistance to private-sector entities to promote and develop new, expanded or improved health facilities to assist the maintenance of public health and welfare. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Ownership of the acquired facilities is with the private-sector entity served by the bond issuance. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of September 30, 2012, there was one issue of Health Facilities Development Bonds outstanding. The aggregate principal amount payable for the issue dated 1994 could not be determined; however, the original issue amount totaled \$5,700,000.

Additionally, from time to time, the City has issued Industrial Development Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Ownership of the acquired facilities is with the private-sector entity served by the bond issuance. The City is not obligated in any manner for repayment of the bonds. Accordingly the bonds are not reported as liabilities in the accompanying financial statements.

CITY OF NORTH RICHLAND HILLS

Notes to Basic Financial Statements

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As of September 30, 2012, there were two issues of Industrial Development Bonds outstanding. The aggregate principal amount payable for the issues dated 1983 and 1985 could not be determined; however, the original issue amounts totaled \$7,125,000.

D. 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 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. As of year end, there were 88 full retirement, 22 early retirement, and 3 combined service retirement retirees receiving postretirement health and dental care benefits.

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 2012, the City contributed a total of \$1,225,966 to the plan for current premiums. Of the \$1,225,966, \$100,000 was contributed to the OPEB Trust in addition to regular participation and health insurance premium activity.

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:

CITY OF NORTH RICHLAND HILLS
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	<u>2010</u>	<u>2011</u>	<u>2012</u>
Annual required contribution	\$ 2,419,000	\$ 2,587,136	\$ 2,712,747
Interest on net OPEB obligation	64,000	106,681	190,604
Adjustment to annual required contribution	<u>(51,000)</u>	<u>(84,640)</u>	<u>(151,228)</u>
Annual OPEB cost (expense)	2,432,000	2,609,177	2,752,123
Contributions made	<u>(1,477,340)</u>	<u>(744,182)</u>	<u>(1,125,966)</u>
Increase (Decrease) in net OPEB obligation	954,660	1,864,995	1,626,157
Net OPEB obligation-beginning of year	<u>1,416,000</u>	<u>2,370,660</u>	<u>4,235,655</u>
Net OPEB obligation-end of year	<u>\$ 2,370,660</u>	<u>\$ 4,235,655</u>	<u>\$ 5,861,812</u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2010	\$ 2,432,000	60.75%	\$ 2,370,660
9/30/2011	2,609,177	28.52%	4,235,655
9/30/2012	2,752,123	40.91%	5,861,812

Funded Status and Funding Progress. As of September 30, 2012, the most recent actuarial valuation date, the plan was 2% percent funded. The actuarial accrued liability for benefits was \$44,173,440, and the actuarial value of assets was \$779,748, resulting in an unfunded actuarial accrued liability (UAAL) of \$43,393,624. The covered payroll (annual payroll of active employees covered by the plan) was \$31,735,386 and the ratio of the UAAL to the covered payroll was 136.7%.

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.

CITY OF NORTH RICHLAND HILLS

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In the September 30, 2011, 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 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 9.5% initially, reduced by decrements to an ultimate rate of 4.5% 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.

E. Employee retirement systems and pension plans

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 17.26%, 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

CITY OF NORTH RICHLAND HILLS

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rate goes into effect (i.e. December 31, 2006 is effective for rates beginning January 2008). Effective for the valuation dated December 31, 2010, the TMRS Board of Trustees elected to change the actuarial cost (funding) method and assumptions.

Significant assumptions used in preparation of that valuation as well as the previous valuation are as follows:

Valuation Date	12/31/2009	12/31/2010	12/31/2011
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	28.1 years: closed period	27.2 years: closed period	26.3 years: closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10 year Smoothed Market	10 year Smoothed Market	10 year Smoothed Market

Actuarial Assumptions:

Investment Rate of Return *	7.5%	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 30 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 25-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 2012 valuation resulted in an unfunded actuarial accrued liability (“UAAL”) of \$30,827,568, which represents an increase over an actuarial value of assets of \$133,721,663 and in actuarial/accrued liability of \$164,549,231. The funded ratio of the City’s plan increased from 69.5% to 81.3% as a result of the decreased UAAL.

CITY OF NORTH RICHLAND HILLS
Notes to Basic Financial Statements
September 30, 2012

The City's contributions to the plan were \$4,934,866, \$4,958,007, and \$4,491,126, for the years ended September 30, 2012, 2011, and 2010, respectively, in accordance with actuarially determined requirements. Contributions by the City were 17.77% (phase in rate) for the months in calendar year 2012 and 17.26% for the months in calendar year 2011. The total covered payroll in fiscal 2012 was \$29,986,516.

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>2012</u>	<u>2011</u>	<u>2010</u>
Annual required contribution	\$ 5,463,543	\$ 6,054,626	\$ 5,895,498
Interest on net pension obligation	266,160	200,330	93,696
Adjustment to net pension obligation	(228,790)	(165,750)	(76,283)
Annual PENSION cost (expense)	<u>5,500,912</u>	<u>6,089,206</u>	<u>5,912,911</u>
Contributions made	<u>(4,934,866)</u>	<u>(4,958,007)</u>	<u>(4,491,126)</u>
Increase (Decrease) in net pension obligation	566,046	1,131,199	1,421,785
Net pension obligation-beginning of year	3,802,265	2,671,066	1,249,281
Net pension obligation-end of year	<u>\$ 4,368,311</u>	<u>\$ 3,802,265</u>	<u>\$ 2,671,066</u>

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

Fiscal Year Ended	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
9/30/2012	\$ 5,500,912	90%	\$ 4,368,311
9/30/2011	6,089,206	82%	3,802,265
9/30/2010	5,912,911	76%	2,671,066

F. Subsequent events

On October 3, 2012, the City issued \$9,845,000 in general obligation bonds. These bonds were approved in the 2012 Bond Election to fund construction of a new municipal facility. The average interest rate on the bonds is 2.94 percent and matures in February 2033.

G. Implementation of future GASB Statements

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

GASB 60: Accounting and Financial Reporting for Service Concession Arrangements

Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, which is effective for the District beginning in fiscal year 2013. This Statement addresses how to account for and report service concession arrangements (SCAs) by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators.

CITY OF NORTH RICHLAND HILLS

Notes to Basic Financial Statements

September 30, 2012

GASB 62: Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements

Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements was issued in December 2010. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

- Financial Accounting Standards Board (FASB) Statements and Interpretations
- Accounting Principles Board Opinions
- Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

Hereinafter, these pronouncements collectively are referred to as the "FASB and AICPA pronouncements." This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement. This Statement is effective for the City's financial periods beginning October 1, 2012.

Statement No. 63: Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, is effective for the District for the year ending June 30, 2013. The standard will standardize the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position, rather than net assets.

Statement No. 65: Items Previously reported as Assets and Liabilities

GASB Statement No. 65: Items Previously Reported as Assets and Liabilities - GASB 65 was issued in March 2012 and establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard becomes effective for the District in fiscal year 2014.

Statement No. 66: Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62

GASB Statement No. 66: Technical Corrections - 2012 - an Amendment of GASB Statements No. 10 and No. 62- GASB 66 was issued in March 2012 and amends Statement No. 10, Accounting and Financial Report for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type. GASB 66 also modifies the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. This standard becomes effective for the District in fiscal year 2014.

CITY OF NORTH RICHLAND HILLS
Notes to Basic Financial Statements
September 30, 2012

Statement No. 67: Financial Reporting for Pension Plans

GASB Statement 67: Financial Reporting for Pension Plans, was issued in June 2012. This Statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. Most significantly, this statement requires the net pension liability to be measured as the total pension liability, less the amount of the pension plan's fiduciary net position. Actuarial valuations of the total pension liability are required to be performed at least every two years, with more frequent valuations encouraged. This standard becomes effective for the District in fiscal year 2014.

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 District in fiscal year 2015. The District has not evaluated the impact of these statements.

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.

The City has not yet determined the effect on the City's financial statement 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 Dated December 31,	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Fund Ratio	Annual Covered Payroll	UAAL as % of Payroll
2004	\$ 69,410,855	\$81,993,021	\$12,582,166	84.7%	\$ 23,787,759	52.89%
2005	72,129,416	86,165,248	14,035,832	83.7%	24,586,641	57.09%
2006	75,748,895	90,985,317	15,236,422	83.3%	25,328,096	60.16%
2007	79,089,871	112,285,789	33,195,918	70.4%	24,915,619	133.23%
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%	29,986,516	102.80%
2011	145,529,766	174,478,790	28,949,024	83.4%	30,884,594	93.73%

Note: The Schedule of Funding Progress summarizes the actuarial value of the plan's assets and actuarial accrued liability as of December 31, 2010 and each of the seven 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, 2010, the plan's funded ratio increased from 69.5% to 81.3%.

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, 2010, the plan's ratio of the UAAL to its covered payroll decreased from 129.85% to 102.80%.

In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS Funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 1, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

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

		For Calendar Year			
2012	2011	2010	2009	2008	
17.77%	17.26%	16.07%	15.50%	13.50%	
<hr/>					
2007	2006				
13.63%	13.20%				

Note Source: TMRS Comprehensive Annual Report for the Year Ending December 31, 2010, 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 Dated September 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Fund Ratio	Annual Covered Payroll	UAAL as % of 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%

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, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes:				
Property taxes (penalties & interest included)	\$ 14,429,455	\$ 14,542,752	\$ 14,409,705	\$ (133,047)
City sales taxes	8,417,919	8,567,000	8,482,679	(84,321)
Mixed beverage taxes	90,000	100,000	101,724	1,724
Franchise taxes	4,873,500	4,970,199	5,012,365	42,166
Sub-total Taxes	<u>27,810,874</u>	<u>28,179,951</u>	<u>28,006,473</u>	<u>(173,478)</u>
Fines and forfeitures	2,657,750	2,413,461	2,421,696	8,235
Licenses and permits	1,213,675	1,468,774	1,734,744	265,970
Charges for services	2,605,784	2,876,205	3,083,393	207,188
Intergovernmental	2,474,492	3,495,734	3,502,686	6,952
Miscellaneous	842,274	800,091	669,716	(130,375)
Sub-total Non-Tax Revenues	<u>9,793,975</u>	<u>11,054,265</u>	<u>11,412,235</u>	<u>357,970</u>
Other Appropriations:				
Golf Course Loans	147,760	147,760	147,760	-
Court Technology Funds	-	19,235	19,235	-
Utility Assistance Program	20,000	20,000	20,000	-
Previous Year Encumbrances	-	469,281	469,281	-
Sub-Total Appropriations	<u>167,760</u>	<u>656,276</u>	<u>656,276</u>	<u>-</u>
TOTAL REVENUES	<u>37,772,609</u>	<u>39,890,492</u>	<u>40,074,984</u>	<u>184,492</u>
EXPENDITURES				
City Council	123,904	123,904	86,254	37,650
City Manager	517,090	523,519	507,879	15,640
Communications	328,922	334,074	320,176	13,898
City Secretary	442,893	447,717	423,057	24,660
Legal	348,104	348,104	272,061	76,043
Human Resources	112,998	113,961	108,382	5,579
Finance	724,646	730,593	717,774	12,819
Budget & Research	359,247	360,296	335,401	24,895
Municipal Court	1,297,919	1,321,387	1,236,770	84,617
Planning and Inspections	835,738	891,571	887,793	3,778
Economic Development	246,696	284,734	278,181	6,553
Library	1,950,202	1,974,519	1,897,417	77,102
Neighborhood Services	1,586,047	1,615,341	1,538,950	76,391
Public Works	3,557,179	3,679,018	3,347,723	331,295
Parks & Recreation	1,495,378	1,523,159	1,404,384	118,775
Police	10,439,174	11,272,925	11,138,443	134,482
Emergency Management	790,811	920,317	737,341	182,976
Fire	9,668,900	9,886,047	9,807,633	78,414
Building Services	673,270	673,270	673,270	-
Non-Departmental	1,631,235	2,067,095	2,520,277	(453,182)
Sub-Total Departments	<u>37,130,353</u>	<u>39,091,551</u>	<u>38,239,166</u>	<u>852,385</u>
Reserves & Other Expenditures				
Reserves	-	70,085	55,900	14,185
Capital Improvements	50,000	95,331	95,331	-
Recreation Centre	487,102	487,102	487,102	-
Legal settlement	-	7,750	7,750	-
Sub-Total Reserves and Other	<u>537,102</u>	<u>660,268</u>	<u>646,083</u>	<u>14,185</u>
TOTAL EXPENDITURES	<u>37,667,455</u>	<u>39,751,819</u>	<u>38,885,249</u>	<u>866,570</u>
Net Increase (Decrease)	<u>\$ 105,154</u>	<u>\$ 138,673</u>	<u>\$ 1,189,735</u>	<u>\$ 1,051,062</u>

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

CITY OF NORTH RICHLAND HILLS, TEXAS
Notes to Required Supplementary Information
September 30, 2012

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the following governmental funds: General, General Debt Service, Promotional, Donations, Special Investigation, Drainage Utility, Parks and Recreation Development, Crime Control District, Gas Development, and Traffic Safety. The General Capital Projects Fund and Grant 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 \$5,933,472.

<u>Legally Adopted Fund</u>	<u>Original</u>	<u>Final</u>	<u>Revision Increase (Decrease)</u>	<u>Explanation</u>
General Fund	\$ 37,667,455	\$ 39,751,819	\$ 2,084,364	Prior year encumbrances totalling approximately \$474 thousand rolled into FY11/12 account for a part of this increase. Police department consolidated services with three other cities assuming the expenditure increase of additional staff, equipment, supplies, and contractual services. This consolidation increased the Police expenditure budget totaling \$833,751. Approximately \$388,655 increase to help absorb additional bad debt activity of the ambulance billing service. \$254 thousand was additional transfers for capital improvement projects. Fire department saw attrition of employees and incurred approximately \$150 thousand and in lump sum retirement payouts.
General Debt Service	\$ 7,424,936	\$ 10,481,725	\$ 3,056,789	In 2012 a positive fiscal opportunity allowed for the refunding of older debt resulting in the needed increase in appropriations for principal and interest payments.
Promotional	\$ 158,832	\$ 171,182	\$ 12,350	The \$12 thousand increase is a minor adjustment to expenditures projections for the fiscal year.
Donations	\$ 164,009	\$ 176,392	\$ 12,383	The increase is due to mid-year adjustment to expenditure projections for special events paid for with donated funds.
Special Investigations	\$ 560,913	\$ 516,540	\$ (44,373)	The \$44 thousand decrease is a reduction in FY11/12 expected purchases did not transpire and will be delayed to later fiscal periods.
Parks and Recreation	\$ 7,184,608	\$ 7,813,228	\$ 628,620	2012 increase was the addition and adjustment of expenditures to accommodate the new Recreation Centre operations that opened in April, 2012. The payoff of capital lease purchase for various recreation equipment accounts for \$394 thousand. The remaining variance is various other operational expenditures adjusted for first year expectations.
Crime Control District	\$ 4,248,216	\$ 4,301,447	\$ 53,231	The minor increase in revised budget is related to the consolidation of Police Department services with three other local entities.
Traffic Safety	\$ 784,319	\$ 914,427	\$ 130,108	The entire variance is due to increase payments to third party biller for their services provided.
<u>Total</u>	<u>\$ 58,193,288</u>	<u>\$ 64,126,760</u>	<u>\$ 5,933,472</u>	

CITY OF NORTH RICHLAND HILLS, TEXAS
Notes to Required Supplementary Information
September 30, 2012

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	<u>\$ 1,189,735</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	(508,516)
Increase (decrease) in investment fair value changes are not considered a resource/inflow for budgetary recognition	76,133
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	(147,760)
Increase (decrease) in charges for services due to the activities billed to customers are considered revenues in budgetary basis but not in GAAP recognition	482,794
Special funded projects are appropriated through long range capital improvement budget in which segregated and specific funding is appropriated outside of the operating budget	(30,500)
Total "Net Change in Fund Balance" from the Statement of Revenues, Expenditures, and Changes in Balances - Governmental Fund -- General Fund	<u><u>\$ 1,061,886</u></u>



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

The ARRA Fund is for reporting federal grant funds received due to the American Recovery and Reinvestment Act of 2009.

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

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

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

Balance Sheet

Non-major Governmental Funds

September 30, 2012

	Promotional	Donations	Special Investigations	Drainage Utility	Crime Control District	Special Grants
Assets						
Cash, cash equivalents, and investments	\$ 412,383	\$ 898,356	\$ 524,465	\$ 1,104,081	\$ -	\$ 188,607
Receivables, net of allowance						
Accounts	-	-	-	99,757	-	-
Other taxes receivable	57,425	-	-	-	725,484	-
Interest receivable	670	1,393	673	1,912	119	1,478
Intergovernmental receivables	-	-	-	-	-	54,456
Other receivables	-	97	-	-	-	70,444
Prepaid items	4,603	-	987	-	1,667	10,400
Restricted:						
Cash, cash equivalents, and investments						
Construction funds	-	-	-	-	-	-
Transition funds	-	-	-	-	423,123	-
Debt Service Funds	-	-	-	-	-	-
Total assets	<u>\$ 475,081</u>	<u>\$ 899,846</u>	<u>\$ 526,125</u>	<u>\$ 1,205,750</u>	<u>\$ 1,150,393</u>	<u>\$ 325,385</u>
Liabilities						
Accounts payable	\$ 70	\$ 13,108	\$ 529	\$ -	\$ 5,110	\$ 65,689
Accrued liabilities	643	-	-	-	74,001	474
Intergovernmental payables	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	150,000
Deposits and other liabilities	-	10	3,420	-	-	-
Deferred revenue	-	-	5,035	-	-	43,889
Total liabilities	<u>713</u>	<u>13,118</u>	<u>8,984</u>	<u>-</u>	<u>79,111</u>	<u>260,052</u>
Fund Balance						
Nonspendables:						
Prepays	4,603	-	987	-	1,667	10,400
Restricted:						
Crime control district	-	-	-	-	1,054,615	-
Debt service	-	-	-	-	-	-
Grants	-	-	-	-	-	54,933
Promotional & economic development	469,765	-	-	-	-	-
Public safety	-	-	448,312	-	-	-
Capital projects (bond funded)	-	-	-	-	-	-
Committed:						
Donations	-	886,728	-	-	-	-
Drainage utility	-	-	-	1,205,750	-	-
Gas development	-	-	-	-	-	-
Assigned:						
Municipal facilities project	-	-	-	-	-	-
Encumbrances	-	-	67,842	-	15,000	-
Total fund balance (as restated)	<u>474,368</u>	<u>886,728</u>	<u>517,141</u>	<u>1,205,750</u>	<u>1,071,282</u>	<u>65,333</u>
Total liabilities and fund balance	<u>\$ 475,081</u>	<u>\$ 899,846</u>	<u>\$ 526,125</u>	<u>\$ 1,205,750</u>	<u>\$ 1,150,393</u>	<u>\$ 325,385</u>

Revenue				Debt Service			Total Non-major Governmental
ARRA Grant	Economic Development	Gas Development	Traffic Safety	Tax Increment Finance District #1	Tax Increment Finance Districts	Sales Tax Revenue Bond	
\$ 561,911	\$ 1,076,602	\$ 4,226,385	\$ 287,322	\$ -	\$ -	\$ -	\$ 9,280,112
-	-	-	-	-	-	-	99,757
-	-	-	-	-	-	-	782,909
-	11,984	7,398	518	94	3,368	898	30,505
7,611	-	-	-	-	-	-	62,067
-	-	597,060	-	-	-	-	667,601
-	-	-	-	-	-	-	17,657
-	3,317,584	-	-	865,672	-	-	4,183,256
-	-	-	-	-	-	-	423,123
-	-	-	-	-	1,447,522	916,169	2,363,691
<u>\$ 569,522</u>	<u>\$ 4,406,170</u>	<u>\$ 4,830,843</u>	<u>\$ 287,840</u>	<u>\$ 865,766</u>	<u>\$ 1,450,890</u>	<u>\$ 917,067</u>	<u>\$ 17,910,678</u>
\$ 7,611	\$ -	\$ 21,020	\$ 98,681	\$ 6,180	\$ -	\$ -	\$ 217,998
-	-	-	5,764	-	-	-	80,882
-	-	-	26,655	-	-	-	26,655
589,156	-	-	-	-	-	-	739,156
-	-	-	-	-	-	-	3,430
-	-	-	-	-	-	-	48,924
<u>596,767</u>	<u>-</u>	<u>21,020</u>	<u>131,100</u>	<u>6,180</u>	<u>-</u>	<u>-</u>	<u>1,117,045</u>
-	-	-	-	-	-	-	17,657
-	-	-	-	-	-	-	1,054,615
-	-	-	-	-	1,450,890	917,067	2,367,957
(27,245)	-	-	-	-	-	-	27,688
-	658,693	-	-	-	-	-	1,128,458
-	-	-	156,740	-	-	-	605,052
-	-	-	-	859,586	-	-	859,586
-	-	-	-	-	-	-	886,728
-	-	-	-	-	-	-	1,205,750
-	-	1,529,823	-	-	-	-	1,529,823
-	3,747,477	3,280,000	-	-	-	-	7,027,477
-	-	-	-	-	-	-	82,842
<u>(27,245)</u>	<u>4,406,170</u>	<u>4,809,823</u>	<u>156,740</u>	<u>859,586</u>	<u>1,450,890</u>	<u>917,067</u>	<u>16,793,633</u>
<u>\$ 569,522</u>	<u>\$ 4,406,170</u>	<u>\$ 4,830,843</u>	<u>\$ 287,840</u>	<u>\$ 865,766</u>	<u>\$ 1,450,890</u>	<u>\$ 917,067</u>	<u>\$ 17,910,678</u>

CITY OF NORTH RICHLAND HILLS, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-major Governmental Funds
Year Ended September 30, 2012

	Special					
	Promotional	Donations	Special Investigations	Drainage Utility	Crime Control District	Grants
REVENUES						
Taxes	\$ 210,324	\$ -	\$ -	\$ -	\$ 4,323,540	\$ -
Charges for services	-	-	-	842,440	-	-
Civil citations	-	-	-	-	-	-
Contributions	-	171,620	-	-	-	-
Investment income	1,495	2,304	1,016	3,538	1,592	7,554
Intergovernmental	-	-	92,048	-	-	556,089
Forfeitures	-	-	138,604	-	-	-
Miscellaneous	-	2	-	-	-	-
Total revenues	<u>211,819</u>	<u>173,926</u>	<u>231,668</u>	<u>845,978</u>	<u>4,325,132</u>	<u>563,643</u>
EXPENDITURES						
General government	141,754	16,495	-	1,191	-	219,317
Public safety	-	8,539	202,604	-	4,023,623	139,116
Culture and recreation	-	79,973	-	-	-	1,446
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	27,289	-	-	-
Culture and recreation	-	10,552	-	-	-	181,000
Public works	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>141,754</u>	<u>115,559</u>	<u>229,893</u>	<u>1,191</u>	<u>4,023,623</u>	<u>540,879</u>
Excess (deficiency) of revenues over expenditures	<u>70,065</u>	<u>58,367</u>	<u>1,775</u>	<u>844,787</u>	<u>301,509</u>	<u>22,764</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from the refunding of debt	-	-	-	-	-	-
Premium on issuance of debt	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-
Transfer in	-	-	-	-	-	-
Transfers out	-	-	-	(852,534)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(852,534)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>70,065</u>	<u>58,367</u>	<u>1,775</u>	<u>(7,747)</u>	<u>301,509</u>	<u>22,764</u>
Fund balance - beginning of year (as previously reported)	404,303	828,361	515,366	1,213,497	769,773	42,569
Adjustment to beginning fund balance, accounting standard implementation	-	-	-	-	-	-
Fund balance - beginning of year (as restated)	<u>404,303</u>	<u>828,361</u>	<u>515,366</u>	<u>1,213,497</u>	<u>769,773</u>	<u>42,569</u>
Fund balance - end of the year	<u>\$ 474,368</u>	<u>\$ 886,728</u>	<u>\$ 517,141</u>	<u>\$ 1,205,750</u>	<u>\$ 1,071,282</u>	<u>\$ 65,333</u>

Revenue					Debt Service		
ARRA Grant	Economic Development	Gas Development	Traffic Safety	Tax Increment Finance District #1	Tax Increment Finance Districts	Sales Tax Revenue Bonds	Total Non-major Governmental
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,893,958	\$ -	\$ 7,427,822
-	-	597,594	-	-	-	-	1,440,034
-	-	-	778,393	-	-	-	778,393
-	-	-	-	-	-	-	171,620
-	20,403	10,987	608	424	9,293	3,852	63,066
669,167	-	-	-	-	-	-	1,317,304
-	-	-	-	-	-	-	138,604
-	-	755,482	-	-	-	-	755,484
<u>669,167</u>	<u>20,403</u>	<u>1,364,063</u>	<u>779,001</u>	<u>424</u>	<u>2,903,251</u>	<u>3,852</u>	<u>12,092,327</u>
31,324	-	-	-	-	-	-	410,081
96,389	-	-	852,839	-	-	-	5,323,110
118,748	-	-	-	-	-	-	200,167
-	-	296,902	-	-	-	-	296,902
-	-	-	33,510	-	-	-	60,799
-	-	-	-	-	-	-	191,552
-	-	-	-	28,460	-	-	28,460
-	-	-	-	-	1,880,000	1,030,000	2,910,000
-	-	-	-	-	985,260	80,075	1,065,335
<u>246,461</u>	<u>-</u>	<u>296,902</u>	<u>886,349</u>	<u>28,460</u>	<u>2,865,260</u>	<u>1,110,075</u>	<u>10,486,406</u>
422,706	20,403	1,067,161	(107,348)	(28,036)	37,991	(1,106,223)	1,605,921
-	-	-	-	-	814,454	-	814,454
-	-	-	-	-	54,622	-	54,622
-	-	-	-	-	(869,076)	-	(869,076)
-	107,088	-	-	-	-	1,109,573	1,216,661
-	-	(439,881)	-	-	-	-	(1,292,415)
-	107,088	(439,881)	-	-	-	1,109,573	(75,754)
<u>422,706</u>	<u>127,491</u>	<u>627,280</u>	<u>(107,348)</u>	<u>(28,036)</u>	<u>37,991</u>	<u>3,350</u>	<u>1,530,167</u>
(449,951)	4,278,679	4,182,543	264,088	-	-	913,717	12,962,945
-	-	-	-	887,622	1,412,899	-	2,300,521
(449,951)	4,278,679	4,182,543	264,088	887,622	1,412,899	913,717	15,263,466
<u>\$ (27,245)</u>	<u>\$ 4,406,170</u>	<u>\$ 4,809,823</u>	<u>\$ 156,740</u>	<u>\$ 859,586</u>	<u>\$ 1,450,890</u>	<u>\$ 917,067</u>	<u>\$ 16,793,633</u>

CITY OF NORTH RICHLAND HILLS, TEXAS
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
GENERAL DEBT SERVICE
Year Ended September 30, 2012

	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 5,274,542	\$ 5,274,542	\$ 5,274,542	\$ -
Investment income	-	11,446	6,905	(4,541)
Intergovernmental	82,853	82,853	82,852	(1)
Total revenues	<u>5,357,395</u>	<u>5,368,841</u>	<u>5,364,299</u>	<u>(4,542)</u>
EXPENDITURES				
Debt service				
Principal	5,439,881	5,542,696	5,542,696	-
Interest and fiscal agent charges	1,985,055	2,125,554	2,024,686	100,868
Total expenditures	<u>7,424,936</u>	<u>7,668,250</u>	<u>7,567,382</u>	<u>100,868</u>
Excess (deficiency) of revenues over expenditures	<u>(2,067,541)</u>	<u>(2,299,409)</u>	<u>(2,203,083)</u>	<u>96,326</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,067,541	2,067,541	2,067,541	-
Transfers out	-	-	-	-
Bond defeasance / bond refunding	-	2,884,934	2,884,934	-
Payment to refunded bond escrow agent	-	(2,813,475)	(2,940,000)	(126,525)
Premium on issuance of debt	-	186,693	236,542	49,849
Total other financing sources (uses)	<u>2,067,541</u>	<u>2,325,693</u>	<u>2,249,017</u>	<u>(76,676)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 26,284</u>	<u>\$ 45,934</u>	<u>\$ 19,650</u>
Fund balance - beginning of year			2,221,581	
Fund balance - end of the year			<u>\$ 2,267,515</u>	

The budget is reflected on a GAAP basis.

CITY OF NORTH RICHLAND HILLS, TEXAS
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
PROMOTIONAL FUND
Year Ended September 30, 2012

	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 206,350	\$ 216,159	\$ 210,324	\$ (5,835)
Investment income	3,113	1,755	1,495	(260)
Total revenues	<u>209,463</u>	<u>217,914</u>	<u>211,819</u>	<u>(6,095)</u>
EXPENDITURES				
General Government	158,832	171,182	141,754	29,428
Total expenditures	<u>158,832</u>	<u>171,182</u>	<u>141,754</u>	<u>29,428</u>
Excess of revenues over expenditures	50,631	46,732	70,065	23,333
Net change in fund balance	<u>\$ 50,631</u>	<u>\$ 46,732</u>	<u>\$ 70,065</u>	<u>\$ 23,333</u>
Fund balance - beginning of year			<u>404,303</u>	
Fund balance - end of the year			<u>\$ 474,368</u>	

The budget is reflected on a GAAP basis.

CITY OF NORTH RICHLAND HILLS, TEXAS
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
DONATIONS FUND
Year Ended September 30, 2012

	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Contributions	\$ 197,692	\$ 184,742	\$ 171,620	\$ (13,122)
Investment income	9,093	4,439	2,304	(2,135)
Miscellaneous	1,000	-	2	2
Total revenues	<u>207,785</u>	<u>189,181</u>	<u>173,926</u>	<u>(15,255)</u>
EXPENDITURES				
General Government	50,009	46,509	16,495	30,014
Public safety	13,000	22,000	8,539	13,461
Culture and recreation	101,000	107,883	79,973	27,910
Culture and recreation (Capital Outlay)	-	-	10,552	(10,552)
Total expenditures	<u>164,009</u>	<u>176,392</u>	<u>115,559</u>	<u>60,833</u>
Excess of revenues over expenditures	<u>43,776</u>	<u>12,789</u>	<u>58,367</u>	<u>45,578</u>
Net change in fund balance	<u>\$ 43,776</u>	<u>\$ 12,789</u>	<u>\$ 58,367</u>	<u>\$ 45,578</u>
Fund balance - beginning of year			828,361	
Fund balance - end of the year			<u>\$ 886,728</u>	

The budget is reflected on a GAAP basis.

CITY OF NORTH RICHLAND HILLS, TEXAS
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
SPECIAL INVESTIGATIONS FUND
Year Ended September 30, 2012

	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Investment income	\$ 6,045	\$ 3,545	\$ 1,016	\$ (2,529)
Intergovernmental	46,500	130,121	92,048	(38,073)
Forfeitures	225,000	151,000	138,604	(12,396)
Total revenues	<u>277,545</u>	<u>284,666</u>	<u>231,668</u>	<u>(52,998)</u>
EXPENDITURES				
Public safety	291,113	302,813	202,604	100,209
Capital outlay:				
Public safety	269,800	213,727	27,289	186,438
Total expenditures	<u>560,913</u>	<u>516,540</u>	<u>229,893</u>	<u>286,647</u>
Excess (deficiency) of revenues over expenditures	<u>(283,368)</u>	<u>(231,874)</u>	<u>1,775</u>	<u>233,649</u>
Net change in fund balance	<u>\$ (283,368)</u>	<u>\$ (231,874)</u>	<u>\$ 1,775</u>	<u>\$ 233,649</u>
Fund balance - beginning of year			515,366	
Fund balance - end of the year			<u>\$ 517,141</u>	

The budget is reflected on a GAAP basis.

CITY OF NORTH RICHLAND HILLS, TEXAS
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
DRAINAGE UTILITY FUND
Year Ended September 30, 2012

	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Investment income	\$ 14,782	\$ 8,273	\$ 3,538	\$ (4,735)
Drainage fees	834,000	841,000	842,440	1,440
Total revenues	<u>848,782</u>	<u>849,273</u>	<u>845,978</u>	<u>(3,295)</u>
EXPENDITURES				
General government	2,500	2,500	1,191	1,309
Total expenditures	<u>2,500</u>	<u>2,500</u>	<u>1,191</u>	<u>1,309</u>
Excess of revenues over expenditures	846,282	846,773	844,787	(1,986)
Transfers out	<u>(852,534)</u>	<u>(852,534)</u>	<u>(852,534)</u>	<u>-</u>
Total other financing sources (uses)	<u>(852,534)</u>	<u>(852,534)</u>	<u>(852,534)</u>	<u>-</u>
Net change in fund balance	<u>\$ (6,252)</u>	<u>\$ (5,761)</u>	<u>\$ (7,747)</u>	<u>\$ (1,986)</u>
Fund balance - beginning of year			1,213,497	
Fund balance - end of the year			<u>\$ 1,205,750</u>	

The budget is reflected on a GAAP basis.

CITY OF NORTH RICHLAND HILLS, TEXAS
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
PARKS AND RECREATIONS DEVELOPMENT CORPORATION FUND
Year Ended September 30, 2012

	<u>Operating Budget</u>		Actual (GAAP Basis)	Less: Actual Capital Project Expenditures**	Operating Actual (Budget Basis)	Variance with
	Original	Final				Final Budget - Positive (Negative)
REVENUES						
Taxes	\$ 4,208,960	\$ 4,283,500	\$ 4,241,341	\$ -	\$ 4,241,341	\$ (42,159)
Contributions	500	64,713	1,700	-	1,700	(63,013)
Investment income	13,337	7,018	21,574	-	21,574	14,556
Intergovernmental	-	-	271,903	-	271,903	271,903
Recreation centre	1,400,136	1,735,397	1,481,012	-	1,481,012	(254,385)
Tennis center	384,727	379,367	432,692	-	432,692	53,325
Miscellaneous	50,000	203,428	355,713	-	355,713	152,285
Total revenues	<u>6,057,660</u>	<u>6,673,423</u>	<u>6,805,935</u>	<u>-</u>	<u>6,805,935</u>	<u>132,512</u>
EXPENDITURES						
Culture and recreation	\$ 5,612,628	\$ 6,026,320	\$ 5,580,061	\$ -	\$ 5,580,061	\$ 446,259
Capital Outlay	-	213,117	3,302,285	3,643,815	(341,530)	554,647
Debt Service						
Principal	-	-	394,251	-	394,251	(394,251)
Interest and fiscal agent charges	-	-	2,151	-	2,151	(2,151)
Total expenditures	<u>5,612,628</u>	<u>6,239,437</u>	<u>9,278,748</u>	<u>3,643,815</u>	<u>5,634,933</u>	<u>604,504</u>
Excess (deficiency) of revenues over expenditures	<u>445,032</u>	<u>433,986</u>	<u>(2,472,813)</u>	<u>(3,643,815)</u>	<u>1,171,002</u>	<u>737,016</u>
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	394,251	-	394,251	394,251
Proceeds from sale of assets	-	-	1,656	-	1,656	1,656
Transfers in	555,243	555,243	555,243	-	555,243	-
Transfers out	(1,571,980)	(1,573,791)	(1,923,917)	-	(1,923,917)	(350,126)
Total other financing sources (uses)	<u>(1,016,737)</u>	<u>(1,018,548)</u>	<u>(972,767)</u>	<u>-</u>	<u>(972,767)</u>	<u>45,781</u>
Net change in fund balance	<u>\$ (571,705)</u>	<u>\$ (584,562)</u>	<u>\$ (3,445,580)</u>	<u>\$ (3,643,815)</u>	<u>\$ 198,235</u>	<u>\$ 782,797</u>
Fund Balance - beginning of year			5,684,019			
Fund Balance - end of the year			<u>\$ 2,238,439</u>			

** Capital Projects expenditures are budgeted on a multi-year schedule and are not included in the operating budget.

CITY OF NORTH RICHLAND HILLS, TEXAS
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
CRIME CONTROL DISTRICT FUND
Year Ended September 30, 2012

	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 4,246,228	\$ 4,299,460	\$ 4,323,540	\$ 24,080
Investment income	1,988	1,987	1,592	(395)
Total revenues	<u>4,248,216</u>	<u>4,301,447</u>	<u>4,325,132</u>	<u>23,685</u>
EXPENDITURES				
Public safety	<u>4,248,216</u>	<u>4,301,447</u>	<u>4,023,623</u>	<u>277,824</u>
Total expenditures	<u>4,248,216</u>	<u>4,301,447</u>	<u>4,023,623</u>	<u>277,824</u>
Excess of revenues over expenditures	-	-	301,509	301,509
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 301,509</u>	<u>\$ 301,509</u>
Fund balance - beginning of year			<u>769,773</u>	
Fund balance - end of the year			<u>\$ 1,071,282</u>	

The budget is reflected on a GAAP basis.

CITY OF NORTH RICHLAND HILLS, TEXAS
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
GAS DEVELOPMENT FUND
Year Ended September 30, 2012

	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Investment income	\$ 47,094	\$ 27,040	\$ 10,987	\$ (16,053)
Mineral rights lease income	140,000	140,000	755,482	615,482
Right of way usage fees	-	596,594	597,594	1,000
Total revenues	<u>187,094</u>	<u>763,634</u>	<u>1,364,063</u>	<u>600,429</u>
EXPENDITURES				
Capital outlay:				
General government	-	-	296,902	(296,902)
Total expenditures	<u>-</u>	<u>-</u>	<u>296,902</u>	<u>(296,902)</u>
Excess of revenues over expenditures	<u>187,094</u>	<u>763,634</u>	<u>1,067,161</u>	<u>303,527</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(439,881)</u>	<u>(439,881)</u>	<u>(439,881)</u>	<u>-</u>
Total other financing sources (uses)	<u>(439,881)</u>	<u>(439,881)</u>	<u>(439,881)</u>	<u>-</u>
Net change in fund balance	<u>\$ (252,787)</u>	<u>\$ 323,753</u>	<u>\$ 627,280</u>	<u>\$ 303,527</u>
Fund balance - beginning of year			4,182,543	
Fund balance - end of the year			<u>\$ 4,809,823</u>	

The budget is reflected on a GAAP basis.

CITY OF NORTH RICHLAND HILLS, TEXAS
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
TRAFFIC SAFETY FUND
Year Ended September 30, 2012

	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Investment income	\$ 2,780	\$ 1,820	\$ 608	\$ (1,212)
Civil citations	772,875	872,000	778,393	(93,607)
Total revenues	<u>775,655</u>	<u>873,820</u>	<u>779,001</u>	<u>(94,819)</u>
EXPENDITURES				
Public safety	755,519	831,572	852,839	(21,267)
Capital outlay				
Public safety	28,800	82,855	33,510	49,345
Total expenditures	<u>784,319</u>	<u>914,427</u>	<u>886,349</u>	<u>28,078</u>
Excess of revenues over expenditures	<u>(8,664)</u>	<u>(40,607)</u>	<u>(107,348)</u>	<u>(66,741)</u>
Net change in fund balance	<u>\$ (8,664)</u>	<u>\$ (40,607)</u>	<u>\$ (107,348)</u>	<u>\$ (66,741)</u>
Fund balance - beginning of year			<u>264,088</u>	
Fund balance - end of the year			<u>\$ 156,740</u>	

The budget is reflected on a GAAP basis.

INTERNAL SERVICE FUNDS

Facility and Construction Services Fund – To account for building maintenance and repair services provided to numerous departments located at various sites throughout the City. Facility 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

Statement of Net Assets

INTERNAL SERVICE

September 30, 2012

	Facilities and Construction	Fleet Services	Self Insurance	Information Services	Total Internal Service
ASSETS					
Current					
Cash, cash equivalents, and investments	\$ 1,588,987	\$ 2,166,240	\$ 1,800,142	\$ 1,872,983	\$ 7,428,352
Accounts receivable, net of allowance:					
Other	9	-	14	13,552	13,575
Interest receivable	2,924	7,828	15,853	5,280	31,885
Prepaid items	64	-	137,456	156,044	293,564
Inventories, at cost	27,569	112,727	-	-	140,296
Total current assets	<u>1,619,553</u>	<u>2,286,795</u>	<u>1,953,465</u>	<u>2,047,859</u>	<u>7,907,672</u>
Noncurrent					
Restricted assets:					
Cash, cash equivalents, and investments					
Construction funds	3,382	95,283	-	47,649	146,314
Future claims	-	-	4,957,609	-	4,957,609
Total restricted cash and cash equivalents	<u>3,382</u>	<u>95,283</u>	<u>4,957,609</u>	<u>47,649</u>	<u>5,103,923</u>
Capital assets, at cost:					
Building and improvements	272,293	-	-	-	272,293
Other improvements	-	-	-	602,769	602,769
Machinery and equipment	411,442	5,064,052	17,312	2,920,650	8,413,456
Construction in progress	-	-	-	43,525	43,525
Accumulated depreciation	(298,973)	(3,750,139)	(17,312)	(1,655,992)	(5,722,416)
Net capital assets	<u>384,762</u>	<u>1,313,913</u>	<u>-</u>	<u>1,910,952</u>	<u>3,609,627</u>
Total noncurrent assets	<u>388,144</u>	<u>1,409,196</u>	<u>4,957,609</u>	<u>1,958,601</u>	<u>8,713,550</u>
Total assets	<u>2,007,697</u>	<u>3,695,991</u>	<u>6,911,074</u>	<u>4,006,460</u>	<u>16,621,222</u>
LIABILITIES					
Current					
Accounts payable and accrued expenses	223,446	45,993	1,074,197	81,232	1,424,868
Other current liabilities	277	40	24,702	-	25,019
Compensated absences	5,383	4,226	2,669	5,868	18,146
Deferred revenue	-	-	-	-	-
Total current liabilities	<u>229,106</u>	<u>50,259</u>	<u>1,101,568</u>	<u>87,100</u>	<u>1,468,033</u>
Noncurrent					
Compensated absences	52,799	98,092	41,838	59,987	252,716
Other post employment benefits obligation	112,735	132,917	69,306	129,961	444,919
Net pension obligation	82,015	97,013	52,976	96,217	328,221
Total noncurrent liabilities	<u>247,549</u>	<u>328,022</u>	<u>164,120</u>	<u>286,165</u>	<u>1,025,856</u>
Total liabilities	<u>476,655</u>	<u>378,281</u>	<u>1,265,688</u>	<u>373,265</u>	<u>2,493,889</u>
NET ASSETS					
Invested in capital assets, net of related debt	384,762	1,313,913	-	1,910,952	3,609,627
Unrestricted	1,146,280	2,003,797	5,645,386	1,722,243	10,517,706
Total net assets	<u>\$ 1,531,042</u>	<u>\$ 3,317,710</u>	<u>\$ 5,645,386</u>	<u>\$ 3,633,195</u>	<u>\$ 14,127,333</u>

CITY OF NORTH RICHLAND HILLS, TEXAS
Statement of Expense, Revenues, and Changes in Net Assets
INTERNAL SERVICE
Year Ended September 30, 2012

	Facilities and Construction	Fleet Services	Self Insurance	Information Systems	Total Internal Service
OPERATING REVENUES					
Other intergovernmental	\$ -	\$ -	\$ 32,019	\$ 11,864	\$ 43,883
Internal service revenues					
Risk management	-	-	8,577,291	-	8,577,291
Facilities and fleet management	2,413,419	2,845,344	-	-	5,258,763
Information systems management	-	-	-	2,370,885	2,370,885
Miscellaneous revenues	94,346	33,984	-	153,614	281,944
Total operating revenues	<u>2,507,765</u>	<u>2,879,328</u>	<u>8,609,310</u>	<u>2,536,363</u>	<u>16,532,766</u>
OPERATING EXPENSES					
Claims	-	-	6,852,518	-	6,852,518
Contractual services	811,518	82,590	758,498	340,670	1,993,276
Personnel services	1,001,833	1,032,767	498,423	1,013,054	3,546,077
Repairs and maintenance	290,679	202,150	3,640	852,069	1,348,538
Supplies	54,729	986,471	5,382	180,642	1,227,224
Depreciation	46,939	365,492	-	394,286	806,717
Total operating expenses	<u>2,205,698</u>	<u>2,669,470</u>	<u>8,118,461</u>	<u>2,780,721</u>	<u>15,774,350</u>
Operating income (loss)	<u>302,067</u>	<u>209,858</u>	<u>490,849</u>	<u>(244,358)</u>	<u>758,416</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	2,249	5,150	11,365	3,679	22,443
Other income (expense)	-	-	111,105	-	111,105
Gain (loss) on disposal of assets	-	40,781	-	(1,854)	38,927
Total nonoperating revenues (expenses)	<u>2,249</u>	<u>45,931</u>	<u>122,470</u>	<u>1,825</u>	<u>172,475</u>
Income (loss) before transfers	<u>304,316</u>	<u>255,789</u>	<u>613,319</u>	<u>(242,533)</u>	<u>930,891</u>
TRANSFERS					
Transfers in	20,331	50,000	-	230,900	301,231
Transfers out	(20,206)	(397,790)	-	-	(417,996)
Total transfers - net	<u>125</u>	<u>(347,790)</u>	<u>-</u>	<u>230,900</u>	<u>(116,765)</u>
Change in net assets	304,441	(92,001)	613,319	(11,633)	814,126
Net assets - beginning of year	1,226,601	3,409,711	5,032,067	3,644,828	13,313,207
Net assets - end of year	<u>\$ 1,531,042</u>	<u>\$ 3,317,710</u>	<u>\$ 5,645,386</u>	<u>\$ 3,633,195</u>	<u>\$ 14,127,333</u>

CITY OF NORTH RICHLAND HILLS, TEXAS

Combining Statement of Cash Flows

INTERNAL SERVICE FUNDS

Year Ended September 30, 2011

	Facilities and Construction Services	Fleet Services	Self Insurance	Information Services	Totals
Cash flows from operating activities:					
Receipts from interfund services provided	\$ 2,413,419	\$ 2,845,344	\$ 8,577,291	\$ 2,370,885	\$ 16,206,939
Other operating revenue	95,087	48,957	32,005	145,335	321,384
Payments to suppliers	(997,616)	(1,332,489)	(7,433,509)	(1,522,399)	(11,286,013)
Payments to employees	(951,184)	(980,773)	(479,117)	(947,084)	(3,358,158)
Net cash provided by (used for) operating activities	<u>559,706</u>	<u>581,039</u>	<u>696,670</u>	<u>46,737</u>	<u>1,884,152</u>
Cash flows from noncapital financing activities:					
Transfers from other funds	20,331	50,000	-	230,900	301,231
Transfers to other funds	(20,206)	(397,790)	-	-	(417,996)
Net cash provided by (used for) noncapital and related financing activities	<u>125</u>	<u>(347,790)</u>	<u>-</u>	<u>230,900</u>	<u>(116,765)</u>
Cash flows from capital and related financing activities:					
Insurance recovery proceeds	-	-	111,105	-	111,105
Acquisition and construction of capital assets	(42,215)	(517,222)	-	(491,269)	(1,050,706)
Proceeds from sale of capital assets	-	40,781	-	(1,854)	38,927
Net cash provided by (used for) capital and related financing activities	<u>(42,215)</u>	<u>(476,441)</u>	<u>111,105</u>	<u>(493,123)</u>	<u>(900,674)</u>
Cash flows from investing activities:					
Interest and dividends received	954	2,371	4,529	2,172	10,026
Net cash provided by investing activities	<u>954</u>	<u>2,371</u>	<u>4,529</u>	<u>2,172</u>	<u>10,026</u>
Net increase (decrease) in cash and cash equivalents	<u>518,570</u>	<u>(240,821)</u>	<u>812,304</u>	<u>(213,314)</u>	<u>876,739</u>
Cash and cash equivalent beginning of year	<u>1,073,799</u>	<u>2,502,344</u>	<u>5,945,447</u>	<u>2,133,946</u>	<u>11,655,536</u>
Cash and cash equivalent end of year	<u>\$ 1,592,369</u>	<u>\$ 2,261,523</u>	<u>\$ 6,757,751</u>	<u>\$ 1,920,632</u>	<u>\$ 12,532,275</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	<u>\$ 302,067</u>	<u>\$ 209,858</u>	<u>\$ 490,849</u>	<u>\$ (244,358)</u>	<u>\$ 758,416</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation expense	46,939	365,492	-	394,286	806,717
Other expense	-	(810)	15,480	-	14,670
(Increase) decrease in accounts receivable	741	14,973	(14)	(8,609)	7,091
(Increase) decrease in inventories	(11,413)	(39,932)	-	-	(51,345)
(Increase) decrease in prepaid items	(64)	-	(3,096)	(118,590)	(121,750)
Increase (decrease) in compensating absences	6,366	1,793	(4,808)	18,073	21,424
Increase (decrease) in other post employment benefits	32,849	37,238	17,887	35,613	123,587
Increase (decrease) in net pension obligation	11,434	12,963	6,227	12,284	42,908
Increase (decrease) in deferred revenues	-	-	-	(11,534)	(11,534)
Increase (decrease) in accounts payable	169,975	(21,677)	13,406	(30,939)	130,765
Increase (decrease) in accrued liabilities	812	1,141	160,739	511	163,203
Total adjustments	<u>257,639</u>	<u>371,181</u>	<u>205,821</u>	<u>291,095</u>	<u>1,125,736</u>
Net cash provided by (used for) operating activities	<u>\$ 559,706</u>	<u>\$ 581,039</u>	<u>\$ 696,670</u>	<u>\$ 46,737</u>	<u>\$ 1,884,152</u>
Noncash financing activities:					
Disposal of capital assets	<u>\$ -</u>	<u>\$ (409,261)</u>	<u>\$ -</u>	<u>\$ (37,011)</u>	<u>\$ (446,272)</u>

Statistical Section



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Table 1

CITY OF NORTH RICHLAND HILLS, TEXAS
Net Assets by Component

(unaudited)

	Fiscal Year										
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	
Governmental Activities											
Invested in capital assets	\$ 205,162,006	\$ 178,349,544	\$ 164,973,337	\$ 142,066,447	\$ 129,533,935	\$ 128,290,273	\$ 127,692,821	\$ 70,181,539	\$ 63,351,827	\$ 58,568,310	
net of related debt	4,253,430	3,368,190	3,715,127	4,693,345	3,984,364	3,270,409	2,973,821	2,759,099	2,954,135	2,868,468	
Restricted	23,572,411	37,099,102	35,253,260	52,082,125	54,146,336	44,787,548	36,986,785	27,839,936	27,644,041	27,303,419	
Unrestricted	232,987,847	218,816,836	203,941,724	198,841,917	187,664,636	176,348,230	167,653,427	100,780,574	93,950,003	88,730,197	
Total net assets											
Business-type Activities											
Invested in capital assets	62,615,382	65,810,811	61,160,189	62,354,993	60,828,610	65,485,796	62,776,005	63,610,252	65,122,142	64,023,232	
net of related debt	2,710,553	2,600,187	2,610,287	3,018,779	2,709,713	2,937,027	2,712,360	2,267,668	1,241,081	2,450,610	
Restricted	22,957,383	21,455,781	21,724,799	25,309,106	29,018,350	24,779,076	27,457,208	22,623,841	20,443,728	19,036,895	
Unrestricted	88,283,318	89,866,779	85,495,275	90,682,878	92,556,673	93,201,899	92,945,573	88,501,761	86,806,951	85,510,737	
Total net assets											
Primary Government											
Invested in capital assets	267,777,388	244,160,355	226,134,526	204,421,440	190,362,545	193,776,069	190,468,826	133,791,791	128,473,969	122,591,542	
net of related debt	6,963,983	5,968,377	6,325,414	7,712,124	6,694,077	6,207,436	5,686,181	5,026,767	4,195,216	5,309,078	
Restricted	46,529,794	58,554,883	56,978,925	77,391,231	83,164,686	69,566,624	64,443,993	50,463,777	48,087,769	46,340,314	
Unrestricted	\$ 321,271,165	\$ 308,683,615	\$ 289,438,865	\$ 289,524,795	\$ 280,221,309	\$ 289,550,129	\$ 260,599,000	\$ 189,282,335	\$ 180,756,954	\$ 174,240,934	

Notes: Fiscal year 2003 was the implementation year of GASB #34 for the City
 Figures from fiscal years prior to 2003 are unavailable for inclusion in the tables
 Right-of-way land was added to the financial statements in fiscal year 2006

CITY OF NORTH RICHLAND HILLS, TEXAS

Table 2

Changes in Net Assets

(unaudited)

	Fiscal Year				
	2012	2011	2010	2009	2008
Expenses					
Governmental activities:					
General government	\$ 10,399,845	\$ 9,886,731	\$ 14,653,747	\$ 16,355,871	\$ 9,379,422
Public safety	28,881,714	28,512,136	26,172,292	27,772,668	25,791,827
Culture and recreation	11,679,786	9,352,354	9,468,346	10,718,579	7,973,359
Public works	7,794,339	7,679,001	8,388,531	2,126,721	5,748,315
Interest and other fees	3,453,283	2,108,277	1,761,128	2,269,541	2,302,096
Total governmental activities	<u>62,208,967</u>	<u>57,538,499</u>	<u>60,444,044</u>	<u>59,243,380</u>	<u>51,195,019</u>
Business-type activities:					
Water and sewer	26,642,141	27,981,025	27,313,424	25,121,565	27,329,181
Golf course	2,429,973	2,227,315	2,236,113	2,217,868	2,302,670
Aquatic park	4,753,949	4,507,561	4,188,892	4,105,695	3,774,757
Interest and other fees	-	-	-	-	433,588
Total business-type activities	<u>33,826,063</u>	<u>34,715,901</u>	<u>33,738,429</u>	<u>31,445,128</u>	<u>33,840,196</u>
Total primary government	<u>96,035,030</u>	<u>92,254,400</u>	<u>94,182,473</u>	<u>90,688,508</u>	<u>85,035,215</u>
Program Revenues					
Governmental activities:					
Charges for services					
General government	5,490,245	5,466,876	8,619,557	4,547,658	9,333,482
Public safety	3,426,008	2,668,111	2,918,356	4,922,180	2,995,693
Culture and recreation	2,381,024	858,241	909,267	1,446,132	2,517,122
Public works	932,819	857,809	839,309	1,896,764	2,355,161
Operating grants and contributions	1,833,138	879,524	964,914	1,142,243	353,816
Capital grants and contributions	7,401,996	17,644,326	6,806,586	11,341,668	304,514
Total governmental activities	<u>21,465,230</u>	<u>28,374,887</u>	<u>21,057,989</u>	<u>25,296,645</u>	<u>17,859,788</u>
Business-type activities:					
Charges for services					
Water and sewer	28,445,746	28,921,168	24,324,685	25,060,898	26,349,559
Golf course	2,443,865	2,324,118	2,264,256	2,509,577	2,571,409
Aquatic park	4,548,828	4,587,899	4,090,087	3,858,389	3,943,288
Operating grants and contributions	80,660	-	-	-	-
Capital grants and contributions	50,744	4,643,096	271,624	-	-
Total business-type activities	<u>35,569,843</u>	<u>40,476,281</u>	<u>30,950,652</u>	<u>31,428,864</u>	<u>32,864,256</u>
Total primary government	<u>57,035,073</u>	<u>68,851,168</u>	<u>52,008,641</u>	<u>56,725,509</u>	<u>50,724,044</u>
Net (Expense) Revenue					
Governmental activities	(40,743,737)	(29,163,612)	(39,386,055)	(33,946,735)	(33,335,231)
Business-type activities	1,743,780	5,760,380	(2,787,777)	(16,264)	(975,940)
Total primary government	<u>\$ (38,999,957)</u>	<u>\$ (23,403,232)</u>	<u>\$ (42,173,832)</u>	<u>\$ (33,962,999)</u>	<u>\$ (34,311,171)</u>

Table 2

2007	2006	2005	2004	2003
\$ 8,461,142	\$ 9,269,861	\$ 8,288,137	\$ 9,755,719	\$ 9,292,156
23,265,259	22,022,696	20,693,721	20,460,665	21,078,401
7,327,532	7,611,710	7,355,182	7,436,113	7,102,491
7,799,706	8,169,282	7,597,475	6,755,207	6,917,896
2,561,837	2,546,791	2,860,149	3,157,963	3,853,040
49,415,476	49,620,340	46,794,664	47,565,667	48,243,984
23,154,259	22,929,665	21,492,504	20,707,959	20,415,859
2,247,272	2,239,404	2,254,198	2,257,534	2,353,454
3,433,492	3,343,073	3,251,524	3,178,835	3,121,298
-	-	-	-	-
28,835,023	28,512,142	26,998,226	26,144,328	25,890,611
78,250,499	78,132,482	73,792,890	73,709,995	74,134,595
6,505,029	6,881,843	5,672,569	5,548,912	5,221,263
1,718,460	1,314,329	1,154,807	1,031,326	1,062,295
1,124,777	1,212,343	1,214,590	1,091,618	1,363,337
1,179,302	174,166	61,063	100,192	475,788
1,028,853	1,153,543	1,539,736	612,519	865,108
410,297	2,910,568	4,367,529	6,404,966	2,087,935
11,966,718	13,646,792	14,010,294	14,789,533	11,075,726
21,630,336	25,858,511	22,237,742	20,861,262	20,945,508
2,298,065	1,775,963	2,287,494	2,154,714	2,356,941
3,916,691	3,894,274	3,421,301	2,831,743	2,892,843
-	66,466	46,847	344,296	64,334
599,983	1,288,734	1,603,834	2,128,214	1,303,870
28,445,075	32,883,948	29,597,218	28,320,229	27,563,496
40,411,793	46,530,740	43,607,512	43,109,762	38,639,222
(37,448,758)	(35,973,548)	(32,784,370)	(32,776,134)	(37,168,258)
(389,948)	4,371,806	2,598,992	2,175,901	1,672,885
\$ (37,838,706)	\$ (31,601,742)	\$ (30,185,378)	\$ (30,600,233)	\$ (35,495,373)

continued

CITY OF NORTH RICHLAND HILLS, TEXAS

Table 2

Changes in Net Assets

(unaudited)

	Fiscal Year				
	2012	2011	2010	2009	2008
General Revenues and Other					
Changes in Net Assets					
Governmental activities:					
Taxes					
Property taxes	\$ 22,222,620	\$ 19,339,750	\$ 19,909,976	\$ 20,605,670	\$ 19,248,707
Sales taxes	16,974,086	16,645,412	16,428,281	16,058,728	17,445,806
Mixed beverage taxes	101,724	128,007	118,253	117,757	161,783
Franchise taxes	4,269,229	4,329,500	3,956,663	3,802,559	4,604,523
Occupancy taxes	210,324	238,410	240,387	152,220	260,319
Unrestricted investment earnings	300,928	495,386	588,866	1,611,632	2,245,479
Special items	-	-	-	-	196,320
Miscellaneous	288,093	1,271,555	553,412	188,512	477,026
Transfers	3,384,630	1,590,704	2,690,024	2,586,937	569,227
Total governmental activities	<u>47,751,634</u>	<u>44,038,724</u>	<u>44,485,862</u>	<u>45,124,015</u>	<u>45,209,190</u>
Business-type activities:					
Unrestricted investment earnings	50,479	171,125	236,674	740,393	878,795
Special items	-	-	-	-	-
Miscellaneous	6,909	30,703	53,524	(10,986)	8,962
Transfers	(3,384,630)	(1,590,704)	(2,690,024)	(2,586,937)	(557,044)
Total business-type activities	<u>(3,327,242)</u>	<u>(1,388,876)</u>	<u>(2,399,826)</u>	<u>(1,857,530)</u>	<u>330,713</u>
Total primary government	<u>44,424,392</u>	<u>42,649,848</u>	<u>42,086,036</u>	<u>43,266,485</u>	<u>45,539,903</u>
Changes in Net Assets					
Governmental activities	7,007,897	14,875,112	5,099,807	11,177,280	11,873,959
Business-type activities	(1,583,462)	4,371,504	(5,187,603)	(1,873,794)	(645,227)
Total primary government	<u>\$ 5,424,435</u>	<u>\$ 19,246,616</u>	<u>\$ (87,796)</u>	<u>\$ 9,303,486</u>	<u>\$ 11,228,732</u>

Notes:

Fiscal year 2003 was the implementation year of GASB #34 for the City.

Table 2

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 18,663,482	\$ 18,134,230	\$ 17,458,279	\$ 16,871,892	\$ 16,871,892
16,865,282	15,934,374	15,230,354	16,477,474	16,477,474
129,860	123,355	115,143	107,164	107,164
4,450,441	3,855,169	3,541,130	3,592,682	3,592,682
284,099	199,850	191,848	172,197	172,197
2,757,208	2,047,583	1,088,547	652,153	652,153
1,499,140	-	-	(1,585,000)	(1,585,000)
651,376	2,341,327	688,555	602,568	602,568
712,782	873,867	1,301,085	1,104,810	1,104,810
<u>46,013,670</u>	<u>43,509,755</u>	<u>39,614,941</u>	<u>37,995,940</u>	<u>37,995,940</u>
1,330,781	945,873	396,903	225,123	225,123
-	-	-	-	-
-	-	-	-	-
<u>(712,782)</u>	<u>(873,867)</u>	<u>(1,301,085)</u>	<u>(1,104,810)</u>	<u>(1,104,810)</u>
<u>617,999</u>	<u>72,006</u>	<u>(904,182)</u>	<u>(879,687)</u>	<u>(879,687)</u>
<u>46,631,669</u>	<u>43,581,761</u>	<u>38,710,759</u>	<u>37,116,253</u>	<u>37,116,253</u>
8,564,912	7,536,207	6,830,571	5,219,806	827,682
228,051	4,443,812	1,694,810	1,296,214	793,198
<u>\$ 8,792,963</u>	<u>\$ 11,980,019</u>	<u>\$ 8,525,381</u>	<u>\$ 6,516,020</u>	<u>\$ 1,620,880</u>



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CITY OF NORTH RICHLAND HILLS, TEXAS

Fund Balances - Governmental Funds

(unaudited)

Table 3

	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2011</u>
General Fund		
Nonspendables	\$ 707,569	\$ 926,707
Restricted	868,715	653,526
Committed	0	0
Assigned	3,759,566	1,848,329
Unassigned	<u>8,992,908</u>	<u>9,838,310</u>
Total General Fund	<u>\$ 14,328,758</u>	<u>\$ 13,266,872</u>
All Other Governmental Funds		
Nonspendables	\$ 47,202	\$ 30,308
Restricted	60,696,117	30,997,610
Committed	3,622,301	6,221,018
Assigned	16,333,423	6,480,459
Unassigned	<u>0</u>	<u>0</u>
Total all other governmental funds	<u>\$ 80,699,043</u>	<u>\$ 43,729,395</u>
Total all governmental funds	<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

Table 4

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>Fiscal 2008</u>
Revenues					
Taxes	\$ 43,777,983	\$ 40,681,079	\$ 40,842,538	\$ 40,736,934	\$ 41,721,138
Licenses and permits	1,543,875	1,375,742	1,148,594	988,020	1,705,703
Charges for services	6,715,031	6,076,625	7,588,891	6,562,241	6,461,012
Fines	2,421,696	2,665,135	2,631,813	2,677,901	2,394,920
Civil Citations	778,393	674,745	726,274	999,584	825,191
Contributions	176,740	187,813	192,501	160,194	196,320
Special assessments	200	8,748	-	276,475	154,125
Investment income	415,326	383,453	538,193	1,250,127	1,678,921
Intergovernmental	5,732,323	9,070,672	3,188,918	2,477,191	1,200,491
Forfeitures	138,604	183,295	232,054	146,830	142,874
Miscellaneous	1,363,579	445,214	1,876,282	517,492	6,634,802
Total revenues	<u>63,063,750</u>	<u>61,752,521</u>	<u>58,966,058</u>	<u>56,792,989</u>	<u>63,115,497</u>
Expenditures					
General government	10,829,793	10,311,297	10,435,250	9,459,393	9,054,489
Public safety	26,959,990	25,934,692	24,697,961	25,262,159	26,051,508
Culture and recreation	9,163,107	7,453,931	7,344,261	8,545,815	7,241,596
Public works	3,601,659	2,416,186	2,518,081	2,478,800	2,663,001
Capital outlay	15,945,071	15,475,441	14,301,095	10,506,569	5,137,596
Debt service					
Principal	8,846,947	8,187,696	7,115,319	5,699,394	6,188,393
Interest	3,092,172	2,194,444	2,161,325	2,048,696	2,225,585
Total expenditures	<u>78,438,739</u>	<u>71,973,687</u>	<u>68,573,292</u>	<u>64,000,826</u>	<u>58,562,168</u>
Excess of revenues over (under) expenditures	<u>(15,374,989)</u>	<u>(10,221,166)</u>	<u>(9,607,234)</u>	<u>(7,207,837)</u>	<u>4,553,329</u>
Other Financing Sources (Uses)					
Proceeds from borrowing	26,224,251	7,315,000	9,186,475	8,503,525	4,465,000
Premium on issuance of debt	546,164	358,270	42,075	242	-
Proceeds from refunding	3,699,388	-	-	-	-
Payments to escrow agent	(3,809,076)	-	-	-	-
Insurance recovery proceeds	-	-	-	-	-
Proceeds from sale of assets	3,145,280	806,479	34,678	188,512	16,353
Payment in lieu of taxes	-	-	-	-	355,004
Transfers in	8,705,604	5,659,688	8,158,092	9,274,945	5,918,639
Transfers out	(4,842,779)	(4,304,576)	(7,540,830)	(7,759,444)	(5,899,649)
Net component unit transfers	-	-	-	-	-
Total other financing sources (uses)	<u>33,668,832</u>	<u>9,834,861</u>	<u>9,880,490</u>	<u>10,207,780</u>	<u>4,855,347</u>
Net change in fund balances	<u>\$ 18,293,843</u>	<u>\$ (386,305)</u>	<u>\$ 273,256</u>	<u>\$ 2,999,943</u>	<u>\$ 9,408,676</u>
Debt service as a percentage of noncapital expenditures	23.6%	22.5%	20.6%	16.9%	18.7%

Table 4

Year	2007	2006	2005	2004	2003
\$	40,393,165	\$ 39,296,101	\$ 37,565,652	\$ 38,099,241	\$ 36,455,642
	1,526,636	2,251,292	1,473,542	1,421,831	1,432,955
	6,335,104	6,354,199	6,185,782	5,932,134	5,917,290
	2,064,187	2,130,968	1,787,547	1,775,899	1,582,165
	-	-	-	-	-
	170,326	177,273	178,937	176,962	177,162
	28,225	8,348	514	-	57,169
	2,258,877	1,719,493	922,870	569,532	822,474
	1,267,839	1,730,684	1,792,392	3,139,929	1,044,102
	74,448	86,752	70,117	47,068	33,874
	939,241	1,431,192	1,070,874	460,770	777,753
	<u>55,058,048</u>	<u>55,186,302</u>	<u>51,048,227</u>	<u>51,623,366</u>	<u>48,300,586</u>
	8,607,293	9,329,442	8,553,540	8,968,934	8,323,987
	23,414,877	22,049,690	21,289,538	20,618,988	20,543,273
	6,684,263	6,431,291	6,331,728	6,266,762	5,988,300
	2,522,751	2,468,819	2,536,838	2,278,247	3,270,197
	3,742,378	4,909,101	9,404,434	12,577,507	8,315,345
	6,697,217	6,462,905	6,695,455	6,278,005	5,826,894
	2,281,930	2,349,160	2,665,828	2,770,875	3,126,375
	<u>53,950,709</u>	<u>54,000,408</u>	<u>57,477,361</u>	<u>59,759,318</u>	<u>55,394,371</u>
	<u>1,107,339</u>	<u>1,185,894</u>	<u>(6,429,134)</u>	<u>(8,135,952)</u>	<u>(7,093,785)</u>
	2,185,000	3,625,000	-	4,935,000	2,750,000
	-	-	-	-	-
	5,085,000	8,245,000	-	3,815,000	-
	(5,075,787)	(8,100,166)	-	(3,694,386)	-
	282,000	-	-	-	-
	9,864	-	-	-	-
	-	-	-	-	-
	5,812,148	4,436,800	3,749,968	4,442,310	6,878,744
	(5,990,349)	(5,710,150)	(3,794,426)	(4,858,894)	(5,002,772)
	-	-	-	-	-
	<u>2,307,876</u>	<u>2,496,484</u>	<u>(44,458)</u>	<u>4,639,030</u>	<u>4,625,972</u>
\$	<u>3,415,215</u>	<u>\$ 3,682,378</u>	<u>\$ (6,473,592)</u>	<u>\$ (3,496,922)</u>	<u>\$ (2,467,813)</u>
	21.8%	21.9%	24.2%	23.7%	23.5%

Table 5

CITY OF NORTH RICHLAND HILLS, TEXAS

Appraised and Taxable Value of Property
Last Ten Fiscal Years
(unaudited)

Fiscal Year	Appraised Residential Property	Appraised Commercial Property	Appraised Industrial Property	Appraised Other Property (1)	Personal Property	Less:		Net Taxable Value	Total Direct Tax Rate
						Tax-Exempt Property	Property		
2003	1,879,625,473	616,511,643	34,642,976	321,366,471	338,839,069	374,046,137		2,816,939,495	0.57000
2004	2,020,935,083	637,135,490	30,121,580	359,230,807	348,631,136	382,365,613		3,013,688,483	0.57000
2005	2,125,365,452	660,915,079	25,319,238	371,683,707	347,217,730	397,233,578		3,133,267,628	0.57000
2006	2,208,222,079	693,344,286	23,766,206	396,694,369	361,559,520	388,297,207		3,295,289,253	0.57000
2007	2,322,672,063	706,800,208	24,219,035	432,473,733	342,337,515	421,361,355		3,407,141,199	0.57000
2008	2,454,968,837	732,299,884	25,008,737	482,924,193	318,594,946	438,489,302		3,575,307,295	0.57000
2009	2,527,941,808	723,655,894	24,685,405	603,634,230	331,545,812	451,978,018		3,759,485,131	0.57000
2010	2,536,677,612	755,382,876	24,238,120	588,109,765	311,291,262	465,272,083		3,750,427,552	0.57000
2011	2,599,141,890	719,345,087	23,749,165	837,360,868	302,449,010	879,728,308		3,602,317,712	0.57000
2012	2,611,659,424	686,273,536	24,818,749	940,103,263	302,955,622	947,626,573		3,618,184,021	0.57000

Source: Tarrant Appraisal District Certified Tax Roll, July 25, City budget (2007-2012)
Tarrant Appraisal District September Report, City budget (2002-2006)

(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 6

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

Fiscal Year	City of North Richland Hills				Birdville school district (1)(2)				Total
	General fund (3)	Debt service fund (3)	Total (3)	Junior college (1)	Hospital (1)	County (1)	Hospital (1)	County (1)	
2003	0.32935	0.24065	0.57000	0.13938	0.23240	0.27250	0.23240	0.27250	2.83128
2004	0.32956	0.24044	0.57000	0.13938	0.23540	0.27250	0.23540	0.27250	2.83428
2005	0.33173	0.23827	0.57000	0.13938	0.23540	0.27250	0.23540	0.27250	2.83428
2006	0.34432	0.22568	0.57000	0.13938	0.23540	0.27250	0.23540	0.27250	2.83428
2007	0.34695	0.22305	0.57000	0.13938	0.23540	0.27150	0.23540	0.27150	2.78128
2008	0.34241	0.22759	0.57000	0.13938	0.23040	0.26650	0.23040	0.26650	2.61128
2009	0.33875	0.23125	0.57000	0.13796	0.22790	0.26400	0.22790	0.26400	2.60986
2010	0.35412	0.21588	0.57000	0.13767	0.22790	0.26400	0.22790	0.26400	2.60457
2011	0.37022	0.19978	0.57000	0.13764	0.22790	0.26400	0.22790	0.26400	2.62454
2012	0.35642	0.21358	0.57000	0.14897	0.227897	0.26400	0.227897	0.26400	2.64587

Sources:

- (1) Tarrant County.
- (2) Birdville Independent School District from 2002-2006
- (3) City records.
- (4) Began using Tarrant County as source in 2006.

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

Table 7

Year Ended September 30, 2012

<u>Taxpayer</u>	<u>Type of business</u>	<u>2011 assessed valuation*</u>	<u>Percentage of total assessed valuation</u>
Wal-Mart	Retail	\$ 64,586,924	1.79%
Hospital Corporation of America	Healthcare Provider	42,733,217	1.18%
Venue at Home Town LTD ETAL	Property Developer	27,700,000	0.77%
Alliance PP2 FX3 LP	Commercial/Real Estate	26,214,378	0.72%
Oncor Electric Delivery Co.	Utility Service Provider	26,167,878	0.72%
BGPC Equestrian	Real Estate	25,000,000	0.69%
Ap Wp N Richland Hills Reit	Multi Family	23,430,000	0.65%
AP Wp Green Reit LLC	Multi Family	23,000,000	0.64%
Company One, LLC	Real Estate	19,741,000	0.55%
Five Star Ford	Automotive Dealership	15,397,540	0.43%
		<u>\$ 293,970,937</u>	<u>8.12%</u>

Year Ended September 30, 2003

<u>Taxpayer</u>	<u>Type of business</u>	<u>2002 assessed valuation*</u>	<u>Percentage of total assessed valuation</u>
Walmart	Retail	\$ 45,941,918	1.63%
Home Depot, Inc.	Retail	40,909,913	1.45%
Kimberly-Clark/Tecnol, Inc.	Manufacturer	31,132,574	1.11%
Food Brands America, Inc.	Manufacturer	26,111,782	0.93%
Alliance Park Portfolio, LLC	Real Estate	25,094,693	0.89%
Five Star Ford/Pack Properties	Automotive Dealership	23,884,599	0.85%
ONCOR Electric Delivery	Utility Service Provider	23,733,453	0.84%
MidStar Properties/NH Mall	Real Estate	20,909,920	0.74%
Meadows NRH Associates LP	Real Estate	19,175,403	0.68%
Haverhill Associates LP	Real Estate	18,000,000	0.64%
		<u>\$ 274,894,255</u>	<u>9.76%</u>

* Source: Tarrant Appraisal District.

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

Fiscal Year	Total tax levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of levy		Amount	Percent of Levy
2003	\$ 16,056,553	\$ 15,798,849	98.40%	\$ 231,316	\$ 16,030,165	99.84%
2004	17,178,024	16,860,430	98.15%	291,679	17,152,109	99.85%
2005	17,859,625	17,679,906	98.99%	154,919	17,834,825	99.86%
2006	18,783,149	18,461,867	98.29%	294,875	18,756,742	99.86%
2007	19,420,705	19,133,840	98.52%	255,012	19,388,852	99.84%
2008	20,379,252	19,980,714	98.04%	353,568	20,334,282	99.78%
2009	21,429,065	21,268,426	99.25%	95,007	21,363,433	99.69%
2010	21,377,437	21,115,928	98.78%	182,241	21,298,169	99.63%
2011	20,533,211	20,281,233	98.77%	100,727	20,381,960	99.26%
2012	20,623,649	20,370,425	98.77%	233,637	20,604,062	99.91%

CITY OF NORTH RICHLAND HILLS, TEXAS
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(unaudited)

Table 9

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				
2003	59,800	\$ 2,816,939	\$ 38,408	\$ 17,287	\$ -	\$ 55,695	1.98%	\$ 931	\$ 8,650
2004	60,400	3,013,688	40,197	15,537	-	55,734	1.85%	923	7,890
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

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				
2003	\$ 2,335	\$ 3,061	\$ 5,161	\$ 10,721	\$ 75,066	\$ 1,255	4.39%
2004	-	4,258	5,364	9,726	73,350	1,214	4.13%
2005	-	3,598	5,018	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	18,625	117,679	1,856	5.95%

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, 2012

(unaudited)

Jurisdiction	Net bonded debt outstanding	Percentage applicable to City of North Richland Hills (2)	Amount applicable to City of North Richland Hills
City of North Richland Hills	\$ 58,391,960 (1)	100.00%	\$ 58,391,960
Birdville Independent School District	213,969,754	44.47%	95,152,350
Hurst-Eules-Bedford			
Independent School District	312,938,426	0.08%	250,351
Keller Independent School District	685,578,167	4.28%	29,342,746
Tarrant County	317,725,000	2.97%	9,436,433
Tarrant County Hospital District	26,285,000	2.97%	780,665
Tarrant County College District	22,705,000	2.97%	674,339
Total overlapping debt			<u>135,636,884</u>
Total direct and overlapping debt			<u><u>\$ 194,028,844</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, 2012

(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 2012 was established at \$.57 per \$100 of assessed valuation based on 100% of appraised value.

CITY OF NORTH RICHLAND HILLS, TEXAS

Table 12

Pledged Revenue Coverage
Last Ten Fiscal Years
(unaudited)

Fiscal Year	Park and Recreation Facilities Development Sales Tax Revenue Bonds					Coverage	
	Sales Tax Revenues	Less: Current Expenditures	Net Revenue Available	Principal	Debt Service Interest		Total (1)
2003	4,041,388	1,780,254	2,261,134	725,000	429,635	1,154,635	1.96
2004	4,107,934	2,064,928	2,043,006	760,000	391,045	1,151,045	1.77
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 (3)

(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 9/30/2012.

(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.

CITY OF NORTH RICHLAND HILLS, TEXAS

Demographic Statistics
Last Ten Fiscal Years
(unaudited)

Table 13

Fiscal Year	Estimated population (2)	Median income (3) (7)	Per capita income (3) (7)	Median age (3) (7)	Education level (5) (8)	School enrollment (1) (6)	Unemployment rate (4)
2003	59,800	61,442	28,616	33.5	90%	10,562	4.1
2004	60,400	63,146	29,393	35.3	90%	10,651	4.0
2005	61,668	65,421	29,881	35.6	90%	10,873	4.4
2006	63,521	66,215	30,641	35.8	90%	10,827	4.1
2007	64,050	67,951	31,558	35.9	90%	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 (9)	63,594	31,615	38	91%	11,615	7.3
2012	63,420	78,911	31,175	38.2	91%	10,843	6.3

Sources:

- (1) Birdville Independent School District
- (2) North Central Texas Council of Governments and City estimates
- (3) Bureau of Census, Department of Commerce (1998-2002)
- (4) Texas Employment Commission
- (5) Haltom Richland Chamber of Commerce (1998-2007)
- (6) Includes North Richland Hills students only
- (7) ESRI Business Information Solutions, Inc (2003-2012)
- (8) Starting in 2003, reported as a percentage of residents with a high school diploma or greater
- (9) Population was adjusted based on census.

CITY OF NORTH RICHLAND HILLS, TEXAS

Table 14

Principal Employers
(unaudited)

Year Ended September 30, 2012

<u>Employer</u>	<u>Employees³</u>	<u>Rank</u>	<u>Percentage of total City employment*</u>
Santander Consumer USA, Inc.	1,343	1	3.92%
North Hills Hospital	818	2	2.38%
Wal-Mart Supercenters	752	3	2.20%
Birdville ISD ¹	732	4	2.14%
HealthMarkets	556	5	1.62%
City of North Richland Hills	534	6	1.56%
Tarrant County College - NE Campus ²	449	7	1.31%
Tyson Prepared Foods	425	8	1.24%
Silverleaf Resorts	386	9	1.13%
Con-Way Freight, Inc.	290	10	0.85%
	<u>6,285</u>		<u>18.35%</u>

Year Ended September 30, 2003

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of total City employment*</u>
UICI - The Insurance Center	1,400	1	6.09%
Birdville ISD	1,059	2	4.60%
North Hills Hospital	767	3	3.33%
Triad Financial Corporation	520	4	2.26%
City of North Richland Hills	510	5	2.22%
TCC - NE Campus ²	485	6	2.11%
Kimberly Clark/Tecnol Division	450	7	1.96%
KPR Foods/Tyson	427	8	1.86%
Wal-Mart Supercenter	400	9	1.74%
Silverleaf Resorts	328	10	1.43%
	<u>6,346</u>		<u>27.59%</u>

¹ Number denotes employees working in schools in the City of NRH

² Split with Hurst

³ 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)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General government										
Administration	4.70	4.70	3.70	4.75	5.25	5.25	5.25	5.25	5.25	5.75
Public information	4.00	4.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Judicial	15.00	15.00	15.50	15.50	16.50	14.00	14.00	14.00	14.00	14.00
Finance	23.00	23.00	23.00	23.50	23.50	23.50	24.50	24.50	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	8.30	8.30	9.30	11.30	11.30	12.30	11.30	11.30	11.50	15.50
Neighborhood services	18.75	18.75	18.75	19.75	18.75	18.75	18.66	18.66	18.66	14.66
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	6.75	6.75	6.75	7.19	7.19	7.19	7.19	7.19
Total general government	82.50	82.50	87.00	91.55	92.05	90.99	90.90	90.90	91.10	91.60
Public safety										
Police	186.88	(1) 165.20	164.22	165.22	164.65	159.65	159.65	159.39	161.39	161.39
Fire	90.00	88.00	91.00	91.00	91.00	92.00	92.00	92.00	87.00	87.00
Total public safety	276.88	253.20	255.22	256.22	255.65	251.65	251.65	251.39	248.39	248.39
Culture and recreation										
Parks and recreation	145.55	121.53	118.76	118.90	120.22	120.30	114.94	115.10	116.10	116.19
Library	27.11	28.58	28.16	28.16	28.16	23.33	23.33	23.33	23.33	23.33
Economic development	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Total culture and recreation	175.66	153.11	149.92	150.06	151.38	146.63	141.27	141.43	142.43	142.52
Public works	77.68	77.68	78.68	79.68	80.18	79.18	76.18	76.18	79.98	80.48
Internal services										
Building services	16.23	16.23	16.36	16.36	15.86	14.23	14.23	14.23	14.23	14.23
Equipment services	13.00	13.00	13.50	11.65	11.65	11.65	11.65	11.65	11.65	11.65
Self-insurance	5.10	5.10	5.10	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Information services	11.00	11.00	11.00	12.00	12.00	12.00	12.00	12.00	12.00	13.00
Total internal services	45.33	45.33	45.96	46.01	45.51	43.88	43.88	43.88	43.88	44.88
Total full-time equivalents	658.05	611.82	616.77	623.52	624.77	612.33	603.88	603.78	605.78	607.87

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

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

Table 16

	Fiscal Year			
	2012	2011	2010	2009
General government				
Planning and Inspections				
Construction				
Commercial units	91	24	47	41
Commercial value	\$ 7,533,480	\$ 3,489,824	\$ 4,578,000	\$ 3,790,657
Residential units	168	122	66	55
Residential value	\$ 42,138,527	\$ 27,218,868	\$ 14,289,559	\$ 13,295,377
Public safety				
Police				
Law violations (2)	3,463	3,574 (10)	4,071	4,270
Part one offenses	1,791	2,075 (10)	3,452	3,190
Traffic violations	22,155	20,733	24,747	25,111
Calls for service	115,644	137,243	137,645 (9)	123,877
Case clearance %	26%	42%	40%	41%
Fire				
Total responses	7,064	6,850	6,555	6,551
Fire responses	2,235	1,762	1,371	1,617
EMS responses	4,829	5,088	5,184	4,934
% responses < 5 minutes	70%	51% (11)	73%	73%
Total inspections	- (13)	2,005 (12)	2,169	2,308
Culture and recreation				
Parks and recreation				
Water park admissions	272,336	270,845	242,554	231,379
Golf rounds played	50,524	51,264	47,594	54,373
Library				
Number of volumes	206,840	200,982	196,042	192,044
Annual circulation	947,883	840,667	828,889	764,195
Annual loans per capita	14.95	13.26	12.48	11.56
Public works				
Water				
Avg daily consumption (4)	1,306,524	1,521,220	1,205,104	1,213,697
Peak daily consumption (4)	2,938,102	3,091,043	2,627,674	2,751,337
Streets				
Street overlay - miles	4	6	4	5
Concrete pavement repair - sq. ft.	5,322	9,372	16,163	12,655
Pothole repair - sq. ft.	4,577	3,974	6,786	4,303
Street cut - sq. ft.	176,844	162,577	193,400	162,446
Sign fabrication	852	935	953	1,119

Source: City records

- (1) Unavailable data is reflected as "-" on the report.
- (2) Excludes traffic violations
- (3) Course closed from July 1st to September 15th, 2006 for renovations.
- (4) Cubic feet
- (5) Method of calculation was changed by Police Department
- (6) Overlay was moved into the 2008-2009 Budget Year because Public Works was assessing program options.
- (7) Library closed from March 20th to April 19th, 2008 in order to move to new location.
- (8) Loan period changed from 2 weeks to 3 weeks.
- (9) FY 2009-2010 calculated on a Fiscal Year basis and additional call types now being tracked.
- (10) Reported from the National Incident-Based Reporting System annual report.
- (11) Decline in reponse time is due to in-town traffic increasing because of the Hwy 820 expansion causing a longer drive time.
- (12) Reinspections are down due to corrected violations.
- (13) Inspection numbers unavailable for the year due to changes in the computer record management system and procedures

Table 16

	2008	2007	2006	2005	2004	2003
	51	56	40	29	47	59
\$	7,907,730	\$ 15,083,593	\$ 53,708,815	\$ 14,139,519	\$ 27,210,050	\$ 14,309,787
	116	235	382	420	310	292
\$	31,498,499	\$ 54,190,911	\$ 79,332,989	\$ 77,631,113	\$ 53,937,035	\$ 47,548,847
	4,289	3,403	4,694	4,767	3,764	4,141
	3,458	3,216	3,318	2,911	3,312	3,363
	28,899	20,010	22,124	22,810	21,317	28,729
	124,212	103,137	107,096 (5)	114,058	116,877	118,427
	41%	36%	37%	37%	37%	39%
	6,929	6,749	5,770	5,570	6,992	6,824
	1,843	1,651	1,633	1,438	1,696	1,682
	5,086	5,098	4,137	4,132	5,296	5,142
	72%	72%	73%	73%	72%	74%
	2,412	2,007	2,033	1,946	1,020	1,169
	233,654	248,205	260,869	250,682	213,285	228,992
	56,192	48,838	39,603 (3)	50,187	52,176	50,368
	180,737	177,270	179,366	176,719	170,849	162,020
	606,639 (7) (8)	660,627	697,013	696,954	723,206	731,499
	9.23 (7)	10.31	10.97	11.30	11.97	8.47
	1,317,622	1,178,439	1,397,254	1,264,837	1,131,712	1,190,464
	2,963,770	2,449,372	2,701,738	2,787,834	2,400,668	2,976,738
	2 (6)	8	9	11	8	8
	4,404 (6)	14,694	9,485	5,474	1,779	4,471
	5,499 (6)	10,480	8,738	12,969	15,282	11,322
	121,809 (6)	156,141	179,703	151,706	231,462	210,232
	1,455	2,040	1,795	1,556	2,389	3,331

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

Table 17

	Fiscal Year			
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Public safety				
Police				
Stations	1	1	1	1
Fire				
Stations	4	4	4	4
Fire hydrants	2,127	2,125	2,139	2,100 (4)
Culture and recreation				
Parks and recreation				
Parks	33	33 (6)	32	32
Park acreage	709	709 (6)	708	708 (3)
Playgrounds	20	20	20	20
Trails - miles	21	21 (7)	20	20
Golf Courses	1	1	1	1
Recreations centers	1	1	1	1
Athletic fields	53	53	53	53
Senior centers	1 (8)	2	2	2
Library				
Libraries	1	1	1	1
Public works				
Water mains - miles	351	346	356	341 (4)
Water connections	20,792	20,522	20,420	20,302
Wastewater lines - miles	290	288	288	285 (4)
Wastewater connections	19,469	19,240	19,141	19,068 (5)
Storm drain - miles	139	139	139	139
Streets - miles	238	238	237	235
Street lights	2,545	2,540	2,531	2,525

Source: City records

Unavailable data is reflected as "-" on the report.

- (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 Bursley Road Senior Citizen Centers

Table 17

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
1	1	1	1	1	1
4	4	4	4	4	4
2,119	2,077	1,900	1,850	1,840	1,830
32	32	31	27	25	24
706	706 (1)	741	720	720	701
20	20	21	17	18	18
20	20	15	12	11	7
1	1	1	1	1	1
1	1	1	1	1	1
53	53 (1)	59	58	57	57
2	2	2	2	2	2
1	1	1	1	1	1
356	354	342	341	341	334
20,282	20,516	19,784	19,356	18,977	18,611
245	244	234	233	233	229
19,053	19,350	18,618	18,257	17,898	17,588
138	137	135	133	133	131
234	232	227	225	221	214
2,518	2,513	2,431 (2)	2,062	2,023	2,012



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