

A Proud Past



A Bright Future

**City of North Richland Hills, Texas
Comprehensive Annual Financial Report
For Fiscal Year Ended
September 30, 2013**

Cover Photographs:

Top row, from left: Green Valley Raceway, First NRH paid Police Force

Middle Row: Smithfield Volunteer Fire Dept. (1950's), Rufus Snow,
Smithfield Elementary Students, (2nd grade, 1952),

The Ed Walker house, 1914 (*present location of Amundson Road and Main Street*), Clarence Jones (*developer*)

Bottom row: NRH 60th Anniversary Logo, Ladies of the Smithfield Home Demonstration Club (1930's),
First Plat of the Clarence Jones neighborhood development (1954)

*The report cover design is a collaboration between the City Manager's Office, the NRH Finance and Budget Department
and the NRH Parks and Recreation Department*

CITY OF NORTH RICHLAND HILLS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2013

City Officials

Oscar Trevino
Mayor

Tito Rodriguez
Place 1
Mayor Pro Tem

Rita Wright Oujesky
Place 2

Tom Lombard
Place 3

Dr. Tim Barth
Place 4

David Whitson
Place 5

Scott Turnage
Place 6

Tim Welch
Place 7

Mark Hindman
City Manager

Karen Bostic
Assistant City Manager

Jimmy Perdue
Director of Public Safety

Mike Curtis
Managing Director for Development Services

Larry Koonce
Director of Finance

Prepared by: Finance Department

NORTH RICHLAND HILLS

City of Choice

ACKNOWLEDGEMENTS

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

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Assistant City Manager

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Director

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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, 2013

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City of North Richland Hills, Texas

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Introductory Section



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Department of Finance

February 24, 2014

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, 2013.

This report consists of City management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in the report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles ("GAAP"). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by BKD, LLP, independent auditors. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2013, 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, 2013, 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 2013. 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 69 in the required supplementary information segment of the financial statements. The comparisons for other governmental funds with appropriated annual budgets are presented in the other supplementary information of this report.

Factors Affecting Financial Condition

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

Factors Affecting Financial Condition

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

Local economy— North Richland Hills (NRH) continued to expand as all major economic indicators are trending in the right direction. The City remains geographically positioned as the main link between bustling downtown Fort Worth and affluent Northeast Tarrant County. Neighboring the high growth Cities of Colleyville, Keller and Southlake; the City of NRH remains not only the largest City in Northeast Tarrant County with 64,240 people, but it is expected to eclipse 85,000 people within the next two decades.

In 2013, NRH was able to attain pre-recession unemployment levels at just under 5% while increasing its labor force by 2.6%. The City unemployment rate continues to be much lower than Tarrant County, the DFW Metro and Texas.

This year also witnessed continued growth in taxable sales, taxable property values and new home starts. Compared to the previous fiscal year taxable sales grew by 2.4%, a \$20 million increase. This figure is all the more significant given the road construction along Northeast Loop 820 where 33% of the City's tax generating business is located. Taxable property value grew for the 3rd straight year, this time over \$123 million of which 47% was from new construction. Finally, the City continues steady growth adding another 200 new single family homes valued over \$300,000 with two new high end multi-family residential projects in the master planned Home Town area. Like last year, this residential growth was only exceeded by the City of Keller in Northeast Tarrant County.

The City maintains a diverse mix of business with eleven primary employers representing 5,000 full time jobs within the healthcare, aerospace and supply chain sectors. Notably the City recently welcomed Portfolio Recovery Associates (NASDAQ: PRAA) with plans to add 400 full time salaried positions to the region's financial sector.

The City also anticipates significant growth in new commercial development as construction is expected to begin on two grocery anchored shopping centers scheduled to open in 2015. Commercial redevelopment is also in progress as the expansion of Northeast Loop 820 is now 75% complete and expected to be finished mid-2015. Numerous dining, entertainments, hospitality and recreation uses are in the planning stages and poised to take advantage of the expanded highway.

2014 is projected to be another significant year as the highway project will continue to overshadow select businesses within the construction zone; it continues to facilitate the redevelopment and revitalization of commercial property. The year will also mark the first year of City Point, the master planned commercial area south of Northeast Loop 820 anchored by the new NRH Municipal complex scheduled for completion January 2016.

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 formal retail (a mall) site, the plans provide for mixed use where commercial and multiple family housing stimulate the revitalization of the area. Projected completion of the new facility is estimated to be January, 2016.

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

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

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

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

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

Similar plans for the build-up of reserves exist for the City's enterprise operations. Funds are set aside to meet future capital replacement needs such as infrastructure replacement and capital asset acquisitions. This approach has allowed the City's water and sewer operation to meet the majority of its capital replacement needs with the issuance of minimal debt. 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 2013 was 0.06%. The overnight investment's weighted portfolio average at the end of the fiscal year was 57 days. The average yield on all other investments for fiscal year 2012 was 0.41% compared to 0.79% for the prior year. The portfolio's weighted average maturity ("WAM") for all other investments at the end of the fiscal year was 512 days, which represents a 266 day increase over last year's WAM which was 246 days. At fiscal year end, approximately 34.3% was invested beyond one year, 26.1% was invested for one year or less, while the remaining 59.4% was invested in the overnight market. The City continues to use the services of PFM Asset Management, LLC as an investment advisor and overseer of our portfolio, which began on October 1, 2009.

Risk management — The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. While the City has historically retained a portion of these risks, coverage exists for: general, employment practice, law enforcement, and errors and omissions liability; excess workers' compensation; property damage; commercial crime coverage; and employee life insurance. The Self-Insurance Fund is responsible for workers' compensation, health, automobile liability, and general liability insurance. The City maintains a stop loss third party insurance policy with respect to health claims. This policy covers City medical claims in excess of \$175,000 per individual per year, and/or \$6,977,147 in the aggregate for a 12-month period beginning on January 1, 2013. 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 119 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, 2012. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

The Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last thirty 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 2013 for the 2013-2014 operating budget. The Distinguished Budget Presentation award was granted to the City for the twenty-third consecutive year by the GFOA.

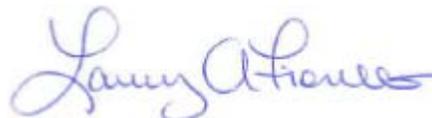
Acknowledgments — Timely preparation of this Comprehensive Annual Financial Report was made possible by the dedicated service of the Finance Department staff and our independent auditors. We would like to express sincere appreciation to those who contributed to the process.

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



Government Finance Officers Association

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

Presented to

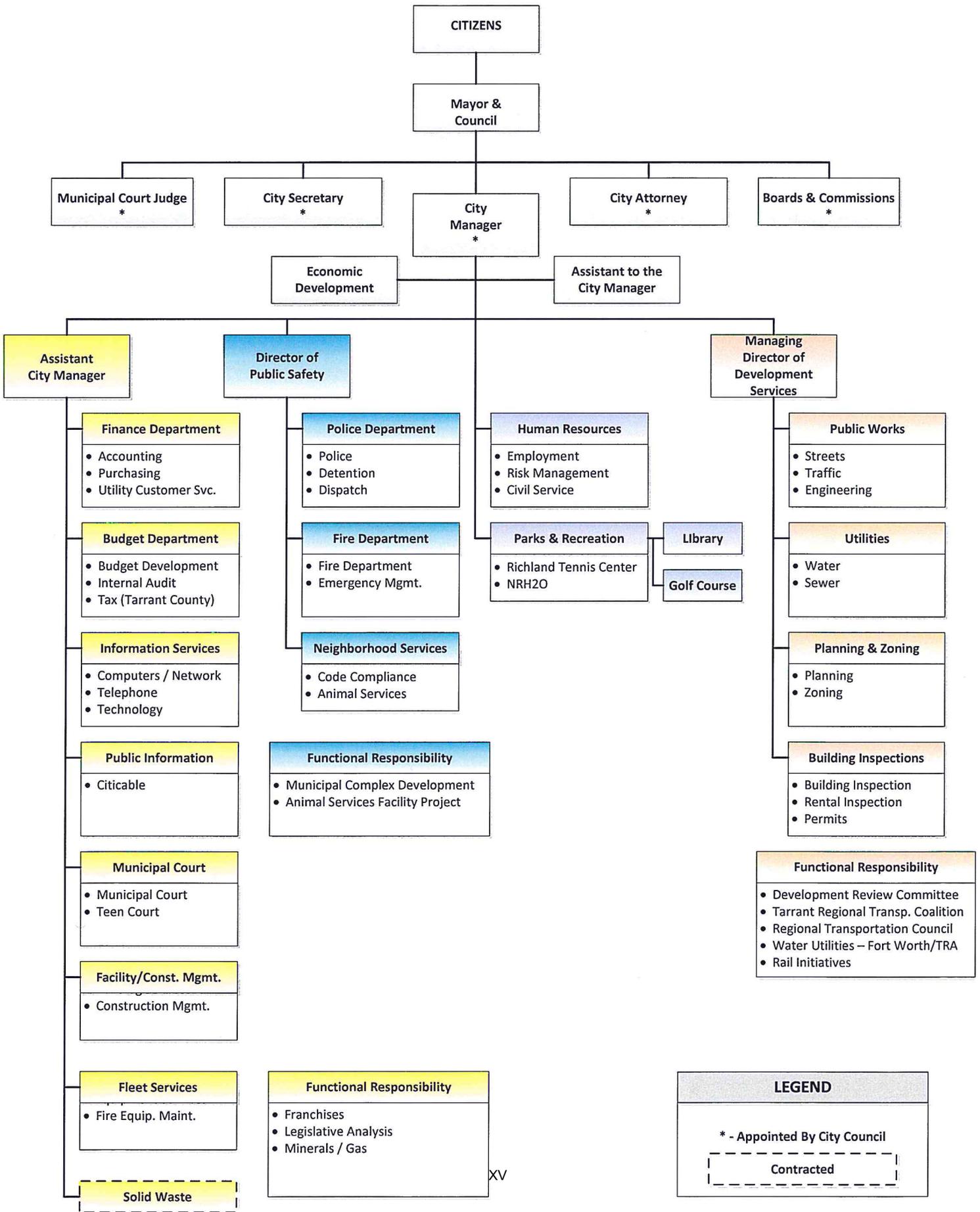
**City of North Richland Hills
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO

ORGANIZATION CHART



CITY OF NORTH RICHLAND HILLS, TEXAS

List of Principal Officials
September 30, 2013

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

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

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

Mark Hindman
Karen Bostic
Jimmy Perdue
Mike Curtis
Vickie Loftice
Patricia Hutson
George Staples
Patrick Hillis
Larry Koonce
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 Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of North Richland Hills, Texas (the City) as of and for the year ended September 30, 2013, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in *Note 1* to the financial statements, in 2013 the City changed its method of accounting for deferred outflows of resources, deferred inflows of resources and bond issuance costs with the adoption of *Governmental Accounting Standards Board* Statements No. 63 and 65. Our opinion is not modified with respect to these matters.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary and pension/other post-employment benefit information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Other Information

Our audit was performed for the purpose of forming opinions on the basic financial statements as a whole. The accompanying information in the introductory and statistical sections listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Dallas, Texas
February 24, 2014

CITY OF NORTH RICHLAND HILLS, TEXAS
Management's Discussion and Analysis
September 30, 2013

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

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

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the fiscal year ended September 30, 2013 by over \$322.8 million (net position). Of this amount, approximately \$47 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$2.8 million in fiscal year 2013. Additional details of this increase may be found beginning on page 20.
- As of September 30, 2013, the City's governmental funds reported combined fund balances of \$100,042,648 which represents an increase of \$5,014,847 in comparison to the prior fiscal year's ending balance.
- Approximately 30.4% of total governmental fund balance, or \$30,430,151, 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 \$9,186,072 or 23.6% of General Fund actual expenditures for 2013.
- The City's total debt increased by approximately \$314,000 during the current fiscal year. This increase represents issuance of \$9,845,000 in general obligation bonds, net of scheduled principal payments.

Overview of the Financial Statements

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

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

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

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, unused vacation leave). Both the Statement of Net Position and the Statement of Activities are prepared using the accrual basis of accounting as opposed to the modified accrual basis used in governmental funds.

CITY OF NORTH RICHLAND HILLS, TEXAS
Management's Discussion and Analysis
September 30, 2013

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

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

The government-wide financial statements can be found on pages 19 – 20 of the comprehensive annual financial report.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law, bond covenants, or Council ordinance. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

The City maintains 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 21 - 24). The General Fund, General Debt Service Fund, General Capital Projects Fund, Parks and Recreation Development Fund, and Tax Increment Finance District No. 2 are the major governmental funds of the City. Data from the other non-major governmental funds are combined into a single, aggregated presentation in the governmental statements.

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

The City maintains three enterprise funds. The City uses enterprise funds to account for its provision of water and wastewater services, golf course operations, and water park activities. The City has two major

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proprietary funds: Utility and Aquatic Park. Golf course is considered a non-major fund. Financial statements for the enterprise funds can be found on pages 25 – 27 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 31 - 63 of this report.

Government-Wide Financial Analysis

The government-wide financial analysis highlights the information contained in the Statement of Net Position and Statement of Activities. The City's combined net position was \$322,850,762 as of September 30, 2013. Analyzing the net position of governmental and business-type activities separately, governmental activities total net position was \$236,290,851 and business-type activities total net position was \$86,559,911. This analysis focuses on the net position and changes in program and general revenues and significant expenses of the City's governmental and business-type activities.

Statement of Net Position – The largest portion of the City's net position (82.85%) reflects its net investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses capital assets to provide services to citizens; consequently, capital assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these obligations. The following table presents the condensed government-wide statement of net position as of September 30, 2013 and 2012. Current and other assets include restricted deposit and investment balances.

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

	Governmental Activities		Business-Type Activities		Total	
	2013, (2)	2012, restated (1)	2013, (2)	2012, restated (1)	2013, (2)	2012, restated (1)
Current and other assets	\$ 117,263	\$ 111,386	\$ 40,503	\$ 40,452	\$ 157,766	\$ 151,838
Capital assets, net	240,792	239,873	73,815	74,262	314,607	314,135
Total Assets	<u>358,055</u>	<u>351,259</u>	<u>114,318</u>	<u>114,714</u>	<u>472,373</u>	<u>465,973</u>
Total deferred outflows of resources	263	330	21	26	284	356
Long-term liabilities	106,562	103,613	20,960	21,939	127,522	125,552
Other liabilities	15,234	15,707	6,774	4,720	22,008	20,427
Total liabilities	<u>121,796</u>	<u>119,320</u>	<u>27,734</u>	<u>26,659</u>	<u>149,530</u>	<u>145,979</u>
Total deferred inflows of resources	231	257	45	49	276	306
Net Position:						
Net investments in capital assets	205,398	205,162	62,044	62,615	267,442	267,777
Restricted	4,624	4,253	3,762	2,711	8,386	6,964
Unrestricted	26,269	22,597	20,754	22,706	47,023	45,303
Total net position	<u>\$ 236,291</u>	<u>\$ 232,012</u>	<u>\$ 86,560</u>	<u>\$ 88,032</u>	<u>\$ 322,851</u>	<u>\$ 320,044</u>

- (1) Beginning Governmental Activities amounts have been adjusted in conjunction with the implementation of a new accounting standard, GASB Statement No. 61.
- (2) Beginning Governmental and Business-type Activities amounts have been adjusted in conjunction with the implementation of new accounting standards, GASB Statement No. 63 and No. 65 (see footnote I.d.).

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Statement of Activities – Governmental activities increased the City of North Richland Hills' net position by \$4,279,015 in fiscal year 2013, and business-type activities decreased net position by (\$1,472,252). The following table presents the condensed government-wide statement of activities for the years ended September 30, 2013 and 2012.

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

	Governmental Activities		Business-Type Activities		Total	
	2013, (2)	2012, restated (1)	2013, (2)	2012, restated (1)	2013, (2)	2012, restated (1)
Revenues:						
Program revenues:						
Charges for services	\$ 13,640	\$ 12,230	\$ 36,909	\$ 35,438	\$ 50,549	\$ 47,668
Operating grants and contributions	2,545	1,833	139	81	2,684	1,914
Capital grants and contributions	2,939	7,402	7	51	2,946	7,453
General revenues:						
Property tax	24,126	22,223	-	-	24,126	22,223
Sales tax	17,360	16,974	-	-	17,360	16,974
Mixed beverage	117	102	-	-	117	102
Franchise taxes	4,167	4,269	-	-	4,167	4,269
Occupancy taxes	221	210	-	-	221	210
Unrestricted investment earnings	259	301	81	50	340	351
Miscellaneous	205	288	5	7	210	295
Total revenue	65,579	65,832	37,141	35,627	102,720	101,459
Expenses:						
General government	10,656	10,400	-	-	10,656	10,400
Public safety	30,612	28,881	-	-	30,612	28,881
Culture and recreation	11,634	11,680	-	-	11,634	11,680
Public works	8,399	7,794	-	-	8,399	7,794
Interest and other fees	3,674	3,453	-	-	3,674	3,453
Utility	-	-	27,623	26,642	27,623	26,642
Aquatic park	-	-	4,749	4,754	4,749	4,754
Golf course	-	-	2,566	2,430	2,566	2,430
Total expenses	64,975	62,208	34,938	33,826	99,913	96,034
Increase in net position before transfers	604	3,624	2,203	1,801	2,807	5,425
Transfers between governmental and Business-Type	3,675	3,385	(3,675)	(3,385)	-	-
Net Increase (decrease) in net position	4,279	7,009	(1,472)	(1,584)	2,807	5,425
Net position - beg. Bal.	232,988	218,816	88,283	89,867	321,271	308,683
Adjustment to beginning net position	(976)	7,163	(251)	-	(1,227)	7,163
Net position - end of year	\$ 236,291	\$ 232,988	\$ 86,560	\$ 88,283	\$ 322,851	\$ 321,271

- (1) Beginning Governmental Activities amounts have been adjusted in conjunction with the implementation of a new accounting standard, GASB Statement No. 61.
- (2) Beginning Governmental and Business-type Activities amounts have been adjusted in conjunction with the implementation of new accounting standards, GASB Statement No. 63 and No. 65 (see footnote I.d.).

Governmental activities – Governmental activities increased the City of North Richland Hills' net position by approximately \$4.2 million in fiscal year 2013. The City had an increase in tax revenues of \$2,212,698 during 2013. Charges for services increased by 11.5% or approximately \$1.4 million over 2012 revenues. The increase was correlated with increase in housing starts, a multi-jurisdictional consolidation of public safety services, and the opening of a new recreation facility. The total expenses for governmental activity increased by approximately \$2.8 million over 2012 totals. The increase to expenses for governmental activities is correlated to several cost drivers. Interest and fiscal charges increased by 6% or \$221 thousand over the 2012 expenditures levels. 2013 was the first year with higher interest costs due to the large bond issued late in 2012 (approximately \$34 million in new debt) for the 2012 Bond Election that approved a new city hall facility. Public safety saw an increase of \$1,729,936 or 5.99% in additional expenses compared to the 2012 fiscal year. Several factors contributed, including but not limited to, an increase in salary scales for all certified officers

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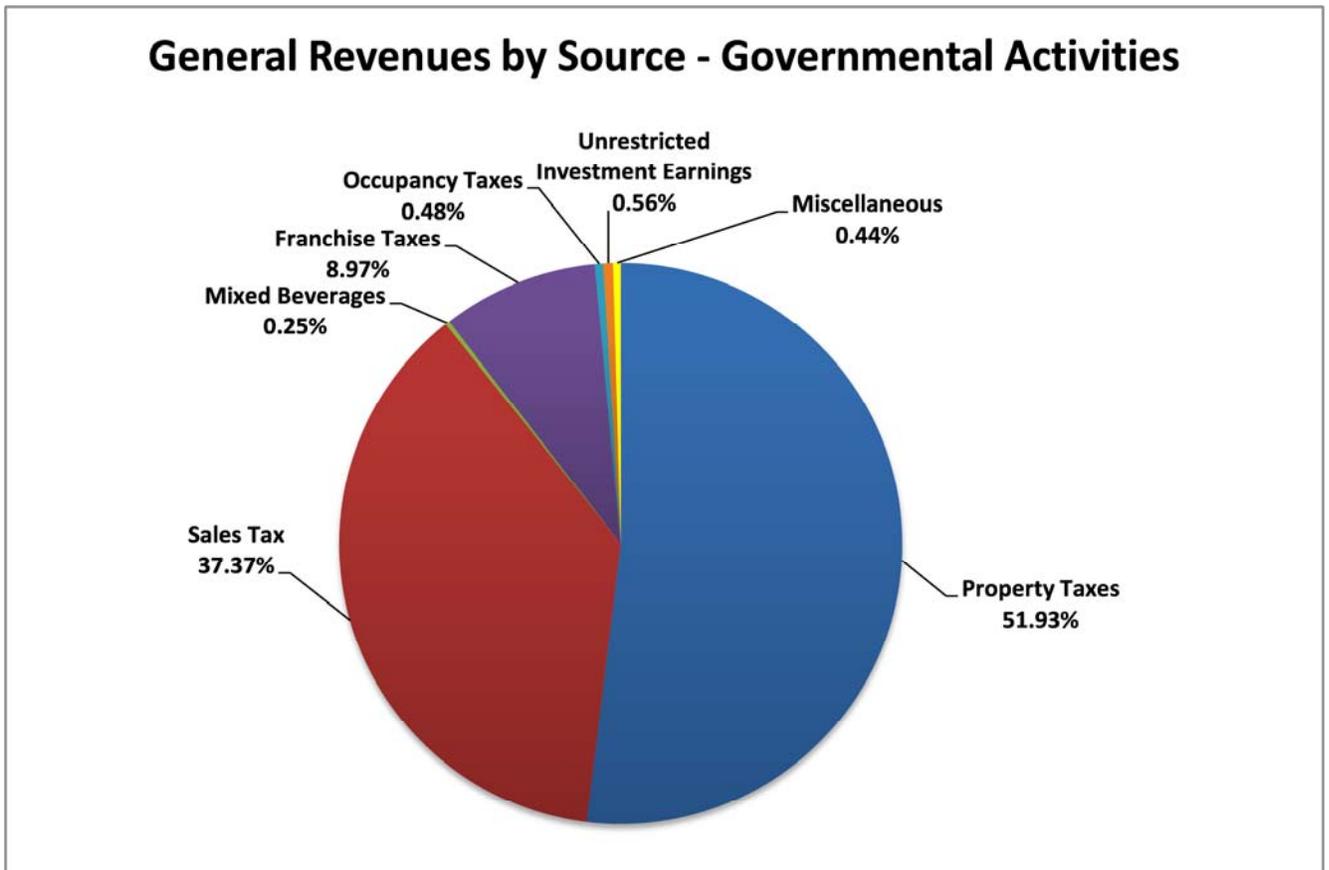
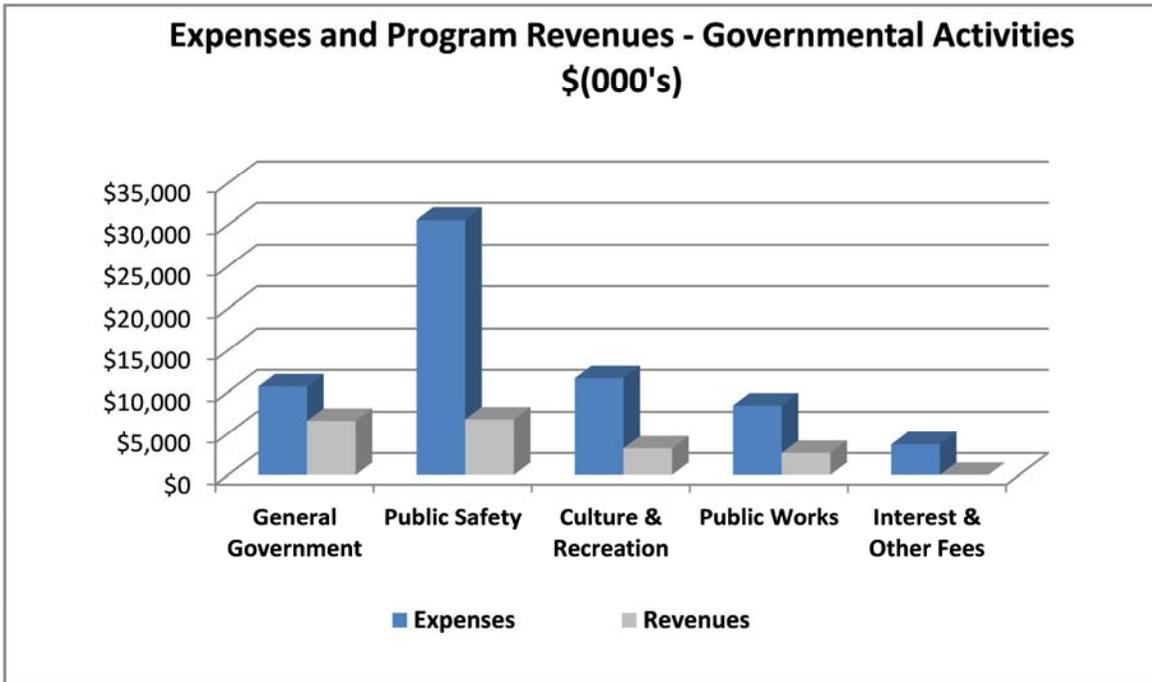
to bring to market levels, a full year of multi-jurisdictional consolidated services expenditures, and various equipment upgrades (i.e. radio equipment). Public works encompassed the rest of the governmental activities expense increase. This division increased overall expenses of 2013 over 2012 by \$604,372 or 7.75% increase over prior year levels. This section of general government saw an increase to overall maintenance expenses for street and infrastructure. A majority of these repairs did not qualify for capitalization and therefore were recognized as costs to the division.

Operating grants and contributions increased by \$712 thousand from fiscal year 2012 to 2013, while capital grants and contributions decreased by \$4.5 million from 2012 to 2013. Operating grants and contributions increase resulted from higher revenues for the consolidated services center (dispatch and detention center) with three other local municipalities. Their increase in contributions to offset operational costs is a direct result from having the first full year of consolidated services and thus having a full year of operational costs reimbursed. However, the decrease in capital grants and contributions was predicted and expected. Major grant funded capital street projects finalized or neared the end of life during the 2012 fiscal year. No other major grant funded infrastructure projects were started to maintain the same level of funding as the previous year.

A significant increase in tax revenue relates directly to Property taxes. Property taxes for the City increased approximately 8.6% or \$1,903,448 from 2012 to 2013 fiscal year. The City Council passed a higher millage in 2012 for the 2013 fiscal period. The City has seen new construction and valuations of property values increase during that same time period as well. Both of these reasons contributed to higher property tax revenues.

Sales and mixed tax beverage taxes increased by \$401,220 from fiscal year 2012 to 2013. Increase in the City's retail base and a healthy Texas economy supported this upward trend. Franchise taxes realized a decrease of (\$102,650) from 2012 to 2013. This decline is directly associated with electrical franchise fees received. Electrical franchise fees are negotiated a year in advance so therefore 2013 receipts were projected on 2012 consumer history. The electrical prices for this utility have trended downward, and thus consumers are paying less for the same amount of usage.

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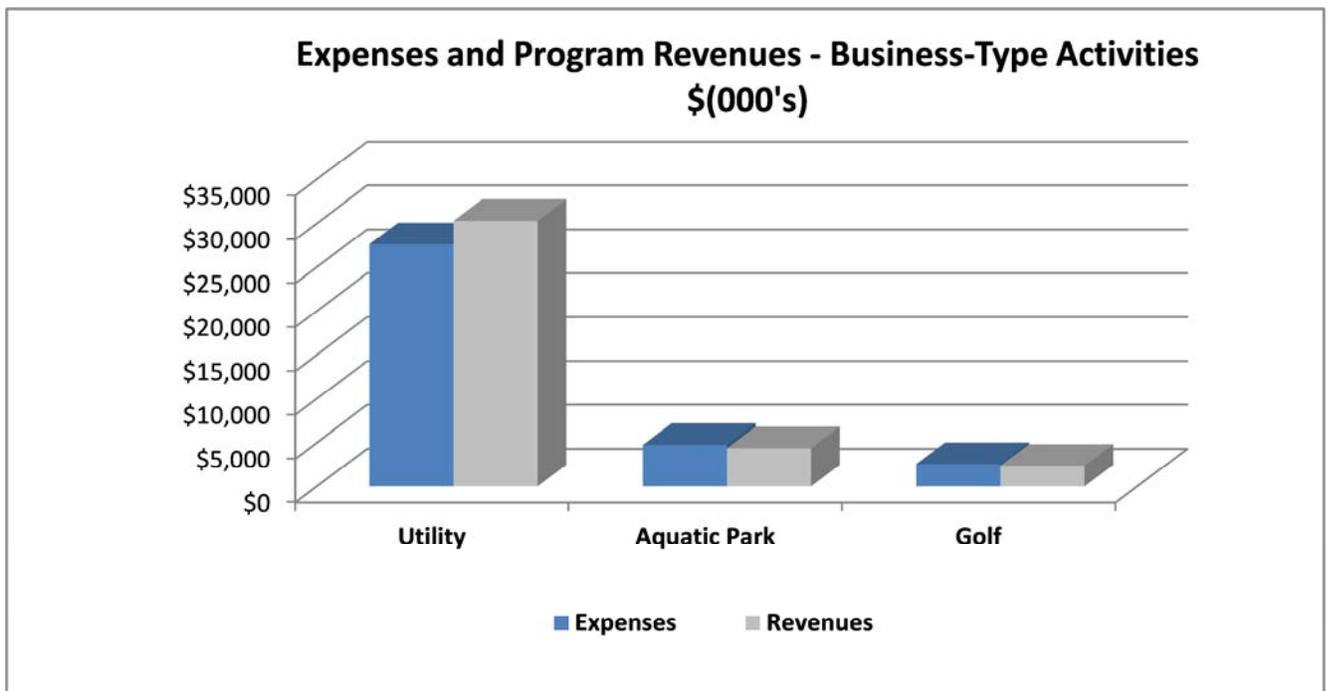


Business-type activities – Business-type activities resulted in a decrease to the City's total net position. The 2013 decrease was (\$1,472,252). Overall the Utility operations (before general revenues and transfers to governmental activities) was an increase of \$2,676,561. Aquatic park and Golf course both had net decreases in net position (before general revenues and transfers to governmental activities) of (\$372,300) and (\$188,331), respectively.

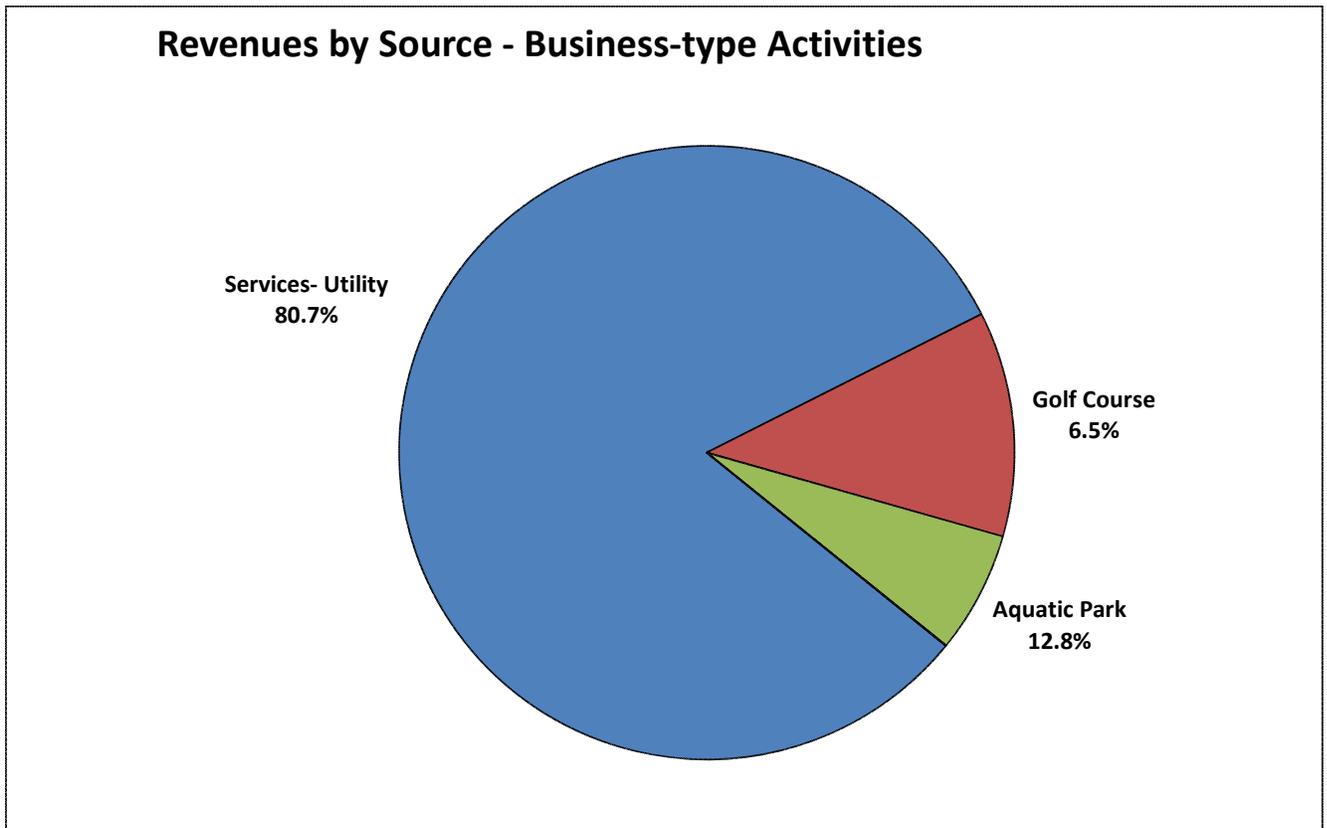
Utility fund implemented the final phase of utility rate increases. The rates have sufficiently covered operational costs and overhead for this section.

Aquatic park and Golf course operations are funded by consumers who utilize the facilities of both of these programs. The facilities and equipment provided are all in the outside environment. 2013 summer season had unforeseen rainy weather which prohibited full usage by the consumers. Aquatic park admissions and golf course golf rounds were both down because of the wetter weather. However, sporadic weather conditions do not impede the need to maintain equipment and golf course even when usage is down. Overhead remained stable while revenues came in under projections.

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



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Fund Level Financial Analysis

Governmental Funds. The focus of the City of North Richland Hills' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City's Council itself, or the designated individual delegated the authority to assign resources for use for particular purposes (Council Designated).

At September 30, 2013, the City's governmental funds reported combined fund balances of \$100,042,648, an increase of \$5,014,847 in comparison with prior year. Unassigned fund balance, \$9,186,072, is available for spending at the government's discretion. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form (\$696,277), 2) legally required to be maintained intact or to be used for a particular purpose (\$64,754,901), 3) committed for particular purposes (\$4,161,319), or 5) assigned for particular purposes (\$21,244,079).

The general fund is the chief operating fund of the City. For 2013, the general fund unassigned fund balance was \$9,186,072. Total general fund balance increased \$613,509 for 2013. Unassigned fund balance represents approximately, 23.6% of total general fund expenditures, while total fund balance represents 38.3% of that same amount.

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The general fund's modest increase was at the result in receiving more than anticipated tax revenues (\$277,291), licenses and permits (\$220,130), and intergovernmental (\$700,137) revenues. Though operational expenditures increased by approximately 3.84% or \$1.4 million, the fund ended with a fund balance increase. The reason for the positive growth is threefold, the first being that departments were instructed to maintain current expenditure amounts 2012 level, and revenue sources above came in above projections. Second, tax revenues increases are directly associated to a large retail base and economic recovery of the sales environment as well as a higher property value and a higher adopted millage rate for 2013. Third, the shared services public safety services (intergovernmental revenues) with three contiguous municipalities, all contributed to the increase to general fund balance for 2013.

The General Capital Projects fund increased governmental fund balance by approximately \$2.9 million. The City did issue an additional \$9,845,000 million in new general obligation debt that remained unused at year end, however, prior bond issuances are now being utilized and capital outlay expenditures are being realized. Thus the gain is a combination of retaining newly issued bond proceeds, while outflows of older bond funds are recognized.

General Debt Service fund saw an increase to fund balance of \$348,196. 2013 was first year of new millage increase for property taxes to pay tax supported debt service.

Parks and Recreation Development Corporation increased governmental fund balance by \$837,237. The new Recreation Centre contributed to the overall increase with a positive operational inflow of approximately \$351 thousand. This fiscal year was the first full year of operations for this new facility.

The other factor for increase is that the debt service requirement for the 1994 and 2001 Sales Tax Revenue bonds transfer out to debt service was reduced by approximately \$400. The issuances are in final two years of maturity and interest and debt service balance requirements are sufficient to cease all transfers out to cover future debt service.

The remaining major governmental fund, Tax Incremental Finance District #2 Capital Projects Fund, saw the remainder of final capital outlay expense (new Recreation Centre facility) in 2013. The decrease in governmental fund balances of \$146,522 is a direct result of that project's closeout.

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

General Fund Budgetary Highlights

Original budget compared to final budget. During the fiscal year, there were sufficient reasons to increase original estimated revenues and original appropriations. Revenue amendments resulted in a total increase of revenue projections by \$1,172,545 and appropriations were increased \$1,185,586. The City's economic environment is growing and revenues have reflected this positive gain. License and Permits revenues have grown approximately 35% from the original budget (Increased by \$499,286). This growth is correlated to new home construction. City Sales taxes increased by \$172,200 from original adoption.

Appropriations were amended to accommodate new programs and operational costs. \$387,534 increase (shared among all departments) is recognition of encumbrances issued in 2012 year but moved to 2013 fiscal year. The remainder of the appropriations increases primarily results from Emergency Management department requesting additional funding for emergency contracts for radio systems and for emergency preparedness. Total amendment for this department increased appropriations by \$466,455.

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

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	Estimated	Actual	
<u>Revenue source</u>	<u>Revenues</u>	<u>Revenues</u>	<u>Difference</u>
Property taxes	14,897,450	14,568,371	(329,079)
Fines and forfeitures	2,576,746	2,424,064	(152,682)
	Estimated	Actual	
<u>Appropriations</u>	<u>Appropriations</u>	<u>Expenses</u>	<u>Difference</u>
Non-Departmental	2,191,819	2,250,905	(59,086)

General fund did end the year with a positive balance despite the negative variances in property tax and fines and forfeitures estimates. Departments conservatively monitored expenditures and prevented any unnecessary or unexpected outflows.

Property taxes for General Fund came in under what was adopted by the City's Council. However, overall city property tax revenues have increased. The property tax revenue allocated to debt service requirements has shifted from General Fund for higher debt service requirements.

Fines and forfeitures ended under budgeted for 2013. This activity is volatile and is dependent upon the criminal system and activity within that system. It was estimated based on prior trends that revenues would increase in 2013, however, actual activity was under what was estimated.

Appropriations saw the non-departmental division realize a negative difference (\$59,086) for 2013. Non-departmental houses all transactions that effect general fund across all departments within the fund. Two notable reasons for the variance is an administration position salary was under estimated and a year end inventory adjustment was recognized after the annual count.

Capital Asset and Debt Administration

Capital assets - At the end of fiscal year 2013, the City had \$314.6 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, 2013 and 2012.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		Total	Total
	2013	2012, restated (1)	2013	2012, restated (1)		
Land & land imp.	79,581	77,631	2,579	2,579	\$ 82,160	\$ 80,210
Works of art	298	298	-	-	298	298
Buildings & imp.	41,761	44,176	2,161	2,309	43,922	46,485
Other imp.	100,561	104,798	13,279	14,168	113,840	118,966
Utility plant	-	-	50,277	52,575	50,277	52,575
Machinery & equip.	7,719	8,281	1,923	2,112	9,642	10,393
Const. in progress	10,872	4,689	3,596	518	14,468	5,207
Total capital assets	<u>\$ 240,792</u>	<u>\$ 239,873</u>	<u>\$ 73,815</u>	<u>\$ 74,261</u>	<u>\$314,607</u>	<u>\$ 314,134</u>

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

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This year's major additions included:

Description	Amount
Computer and Machinery Equipment	539,577
Various Vehicles	800,802
Various Water/Sewer Replacements and Improvements	720,475
Various Land Acquisitions	2,793,958
Various street improvement	940,000

Construction commitments and other limitations affecting availability of fund resources:

The City prepares an annual Capital Improvement Projects budget that assigns specific funds and resources for use 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 \$80,368,275 for both the Governmental and Business-type activities.

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

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

Debt - At September 30, 2013 and 2012, the City had the following debt outstanding:

	Outstanding Debt					
	Amounts shown in thousands (000's)					
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 68,945	\$ 64,269	\$ 1,760	\$ 2,211	\$ 70,705	\$ 66,480
Certificates of obligation	30,910	33,330	15,300	16,415	46,210	49,745
Sales tax revenue bonds	210	615	-	-	210	615
Loans payable	311	840	-	-	311	840
Capital lease	-	-	317	387	317	387
Totals	\$100,376	\$ 99,054	\$ 17,377	\$ 19,013	\$117,753	\$118,067

In fiscal year 2013, the City issued 9,845,000 in new debt. The presently outstanding general obligation debt of the City is rated "AA2" by Moody's and "AA+" by S&P. The City also has issues outstanding which are rated "Aaa" by Moody's and "AAA" by S&P through credit enhancement in the form of municipal bond insurance policies.

As a home rule city, the City is not limited by law in the amount of debt it may issue. The City's Charter provides that general property taxes are limited to \$1.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation debt. The City's property tax rate is \$0.61 per \$100 assessed valuation. The current ratio of tax-supported debt to assessed value of all taxable property is 1.25%.

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

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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 \$6,997,147 in the aggregate for a 12-month period beginning on January 1, 2013. 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. After working through a struggling economy, the City of North Richland Hills is finally experiencing a stabilizing economy. Given this rise, the budget process has predicted a steady growth in property values and sales tax retail base. For budget year 2013-2014, sales tax receipts are anticipated to be 2% higher than the 2013 budget year. Property tax values are anticipated to continue rising due to steady new construction growth plus the stabilization of property values. The City of North Richland Hills expects a 3% growth in property values.

The fiscal year 2013-2014 budget maintains an increase in the property tax rate. For fiscal year 2013-2014 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	57.2%	0.349036
Debt Service Fund	42.8%	0.260964
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.



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BASIC FINANCIAL STATEMENTS



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CITY OF NORTH RICHLAND HILLS, TEXAS
Government-wide Statement of Net Position
September 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
CURRENT ASSETS			
Cash and cash equivalents	\$ 12,750,716	\$ 4,485,193	\$ 17,235,909
Investments	23,087,676	14,356,145	37,443,821
Receivables, net of allowances:			
Accounts	381,088	4,801,072	5,182,160
Property taxes	217,702	-	217,702
Other taxes	3,362,901	-	3,362,901
Interest receivable	206,984	40,042	247,026
Special assessments	86,147	-	86,147
Intergovernmental	1,656,136	120,728	1,776,864
Other	273,582	-	273,582
Prepays	569,965	47,985	617,950
Inventories, at cost	225,359	229,692	455,051
Internal balances	(3,279,724)	3,279,724	-
Total current assets	<u>39,538,532</u>	<u>27,360,581</u>	<u>66,899,113</u>
NONCURRENT ASSETS			
Cash and cash equivalents	33,496,837	11,788,582	45,285,419
Investments	44,227,968	1,353,553	45,581,521
Capital assets - net:			
Land and nondepreciable land improvements	79,580,847	2,579,137	82,159,984
Buildings and improvements	59,392,556	4,405,053	63,797,609
Improvements other than buildings	183,613,929	24,549,099	208,163,028
Utility plant	-	100,155,835	100,155,835
Machinery and equipment	24,093,140	5,060,546	29,153,686
Artwork and historical treasures	298,208	-	298,208
Construction in progress	10,871,577	3,595,655	14,467,232
Accumulated depreciation	(117,058,374)	(66,530,481)	(183,588,855)
Total capital assets - net	<u>240,791,883</u>	<u>73,814,844</u>	<u>314,606,727</u>
Total noncurrent assets	<u>318,516,688</u>	<u>86,956,979</u>	<u>405,473,667</u>
Total assets	<u>358,055,220</u>	<u>114,317,560</u>	<u>472,372,780</u>
Deferred Outflows of Resources			
Deferred loss on refunding	263,069	20,612	283,681
Total deferred outflows of resources	<u>263,069</u>	<u>20,612</u>	<u>283,681</u>
Liabilities			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	4,871,327	4,976,612	9,847,939
Deposits and other liabilities	1,073,318	60,249	1,133,567
Retainage payable	153,893	21,968	175,861
Compensated absences	173,577	34,380	207,957
Unearned revenue	100,384	74,853	175,237
Accrued interest payable	425,904	74,489	500,393
Bonds payable	8,013,148	1,416,852	9,430,000
Loans payable	311,349	-	311,349
Capital lease payable	-	70,419	70,419
Intergovernmental payables	111,213	-	111,213
Developers' deposits	-	44,127	44,127
Total current liabilities	<u>15,234,113</u>	<u>6,773,949</u>	<u>22,008,062</u>
NONCURRENT LIABILITIES			
Customers' deposits	-	2,311,466	2,311,466
Bonds payable	93,286,147	15,767,913	109,054,060
Capital lease payable	-	246,820	246,820
Compensated absences	2,800,515	441,794	3,242,309
Intergovernmental payables	-	862,611	862,611
Other post employment benefits obligation	6,763,037	865,606	7,628,643
Net pension obligation	3,712,197	463,446	4,175,643
Total noncurrent liabilities	<u>106,561,896</u>	<u>20,959,656</u>	<u>127,521,552</u>
Total liabilities	<u>121,796,009</u>	<u>27,733,605</u>	<u>149,529,614</u>
Deferred Inflows of Resources			
Deferred gain on refunding	231,429	44,656	276,085
Total deferred inflows of resources	<u>231,429</u>	<u>44,656</u>	<u>276,085</u>
Net Position			
Net investment in capital assets	205,397,867	62,044,064	267,441,931
Restricted for:			
Debt service	4,623,851	-	4,623,851
Impact fees restricted for construction	-	3,762,460	3,762,460
Unrestricted	26,269,133	20,753,387	47,022,520
Total net position	<u>\$ 236,290,851</u>	<u>\$ 86,559,911</u>	<u>\$ 322,850,762</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, 2013

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government						
Governmental activities:						
General government	\$ 10,656,322	\$ 85,218	\$ 954,310	\$ (4,119,744)		\$ (4,119,744)
Public safety	30,611,650	2,299,092	215,985	(23,892,065)		(23,892,065)
Culture and recreation	11,633,882	77,995	118,467	(8,436,171)		(8,436,171)
Public works	8,398,711	82,853	1,650,189	(5,728,567)		(5,728,567)
Interest and other fees	3,673,780	-	-	(3,673,780)		(3,673,780)
Total governmental activities	64,974,345	2,545,158	2,938,951	(45,850,327)		(45,850,327)
Business-type activities:						
Utility	27,623,220	138,831	-		2,676,561	2,676,561
Aquatic park	4,749,688	-	-		(372,300)	(372,300)
Golf course	2,566,632	-	7,291		(188,331)	(188,331)
Total business-type activities	34,939,540	138,831	7,291		2,115,930	2,115,930
Total primary government	\$ 99,913,885	\$ 2,683,989	\$ 2,946,242	\$ (45,850,327)	\$ 2,115,930	\$ (43,734,397)
General revenue:						
Taxes:						
Property				\$ 24,126,068	\$ -	\$ 24,126,068
Sales				17,359,807	-	17,359,807
Mixed beverage				117,223	-	117,223
Franchise				4,166,579	-	4,166,579
Occupancy				221,003	-	221,003
Unrestricted investment earnings				258,705	80,950	339,655
Miscellaneous				205,445	5,380	210,825
Transfers between governmental and business-type activities				3,674,512	(3,674,512)	-
Total general revenue and transfers				50,129,342	(3,588,182)	46,541,160
Change in net position				4,279,015	(1,472,252)	2,806,763
Net position - beginning of year (as previously reported)				232,987,847	88,283,318	321,271,165
Adjustment to beginning net position, accounting standard implementation				(976,011)	(251,155)	(1,227,166)
Net position - beginning of year (as restated)				232,011,836	88,032,163	320,043,999
Net position - end of year				\$ 236,290,851	\$ 86,559,911	\$ 322,850,762

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, 2013

	General Fund	General Capital Projects	General Debt Service	Parks and Recreation Development	Tax Increment Finance District #2	Other Governmental	Total Governmental
Assets							
Cash and cash equivalents	\$ 5,997,706	\$ -	\$ -	\$ 1,306,840	\$ -	\$ 4,446,167	\$ 11,750,713
Investments	8,239,990	-	-	749,243	-	7,770,849	16,760,082
Receivables, net of allowance							
Accounts	286,155	-	-	-	-	94,933	381,088
Property taxes	217,702	-	-	-	-	-	217,702
Other taxes receivable	1,823,269	-	-	739,689	-	799,943	3,362,901
Interest receivable	7,052	71,188	787	806	12,609	16,097	108,539
Special assessments receivable	-	86,147	-	-	-	-	86,147
Intergovernmental receivables	6,586	1,298,313	-	218,086	-	133,151	1,656,136
Other receivables	105,520	61,305	-	17,980	-	71,977	256,782
Due from other funds	147,760	-	-	-	-	-	147,760
Prepaid items	134,848	332	1,643	3,275	-	3,135	143,233
Inventories, at cost	93,143	-	-	18,617	-	-	111,760
Advances to other funds	441,284	-	-	-	-	-	441,284
Restricted:							
Cash and cash equivalents	-	20,825,360	1,485,261	503,616	5,061,696	3,208,414	31,084,347
Investments	-	31,849,503	1,128,020	49,161	6,089,653	1,111,631	40,227,968
Total assets	<u>\$ 17,501,015</u>	<u>\$ 54,192,148</u>	<u>\$ 2,615,711</u>	<u>\$ 3,607,313</u>	<u>\$ 11,163,958</u>	<u>\$ 17,656,297</u>	<u>\$ 106,736,442</u>
Liabilities							
Accounts payable	\$ 1,208,055	\$ 896,815	\$ -	\$ 231,236	\$ -	\$ 228,196	\$ 2,564,302
Retainage payable	-	135,919	-	17,974	-	-	153,893
Accrued liabilities	651,232	9,796	-	64,726	-	84,273	810,027
Intergovernmental payables	16,752	-	-	-	-	94,461	111,213
Deposits and other liabilities	410,506	614,691	-	22,616	-	12	1,047,825
Unearned revenue	54,501	-	-	42,936	-	633	98,070
Total liabilities	<u>2,341,046</u>	<u>1,657,221</u>	<u>-</u>	<u>379,488</u>	<u>-</u>	<u>407,575</u>	<u>4,785,330</u>
Deferred Inflows of Resources							
Unavailable revenue - property taxes	217,702	-	-	-	-	-	217,702
Unavailable revenue - grants	-	1,359,618	-	152,149	-	29,918	1,541,685
Unavailable revenue - assessments	-	149,077	-	-	-	-	149,077
Total deferred inflows of resources	<u>217,702</u>	<u>1,508,695</u>	<u>-</u>	<u>152,149</u>	<u>-</u>	<u>29,918</u>	<u>1,908,464</u>
Fund Balance							
Nonspendable:							
Inventories	93,143	-	-	18,617	-	-	111,760
Prepays	134,848	332	1,643	3,275	-	3,135	143,233
Advances	441,284	-	-	-	-	-	441,284
Restricted:							
Municipal court technology & security	821,953	-	-	-	-	-	821,953
Franchise peg fees	301,634	-	-	-	-	-	301,634
Parks and recreation development	-	-	-	2,151,423	-	-	2,151,423
Crime control district	-	-	-	-	-	1,240,435	1,240,435
Debt service	-	-	2,614,068	-	-	2,008,062	4,622,130
Grants	-	-	-	-	-	80,692	80,692
Promotional & economic development	-	-	-	-	-	1,186,434	1,186,434
Public safety	-	-	-	-	-	845,327	845,327
Capital projects (bond funded)	-	41,566,876	-	111,116	11,163,958	662,923	53,504,873
Committed:							
Donations	-	-	-	-	-	962,253	962,253
Drainage utility	-	-	-	-	-	1,284,052	1,284,052
Gas development	-	-	-	-	-	1,915,014	1,915,014
Assigned:							
Savings incentive program	250,360	-	-	-	-	-	250,360
Retirement stabilization	250,000	-	-	-	-	-	250,000
Utility billing assistance	8,571	-	-	-	-	-	8,571
Rail station project	1,200,000	-	-	-	-	-	1,200,000
Municipal facilities	2,000,000	-	-	-	-	7,027,477	9,027,477
Recreation centre	-	-	-	481,691	-	-	481,691
Capital projects	-	9,459,024	-	-	-	-	9,459,024
Encumbrances	254,402	-	-	309,554	-	3,000	566,956
Unassigned	<u>9,186,072</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,186,072</u>
Total fund balance	<u>14,942,267</u>	<u>51,026,232</u>	<u>2,615,711</u>	<u>3,075,676</u>	<u>11,163,958</u>	<u>17,218,804</u>	<u>100,042,648</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 17,501,015</u>	<u>\$ 54,192,148</u>	<u>\$ 2,615,711</u>	<u>\$ 3,607,313</u>	<u>\$ 11,163,958</u>	<u>\$ 17,656,297</u>	<u>\$ 106,736,442</u>

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 Position
GOVERNMENTAL FUNDS
 September 30, 2013

Total fund balances--governmental funds	\$ 100,042,648
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities resources (excluding internal service capital assets) are not financial resources and, therefore, are not reported as net position in governmental funds.</p>	237,455,052
<p>Certain receivables are not available to pay current-period expenditures and, therefore, are reported as unavailable revenue in the funds.</p>	1,982,527
<p>Internal service funds are used by the City's management for building and vehicle support services, self insurance, and information services. The assets and liabilities of the internal service funds, net of amounts included in business type activities, are included with governmental activities in the Statement of Net Position but are not included at the fund level.</p>	11,121,175
<p>Long-term liabilities and related deferred inflows and outflows, 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.</p>	<u>(114,310,551)</u>
Total net position--governmental activities	<u>\$ 236,290,851</u>

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

CITY OF NORTH RICHLAND HILLS, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended September 30, 2013

	General Fund	General Capital Projects	General Debt Service	Parks and Recreation Development	Tax Increment Finance District #2	Other Governmental	Total Governmental
REVENUES							
Taxes	\$ 27,111,570	\$ -	\$ 6,860,707	\$ 4,343,358	\$ -	\$ 7,675,047	\$ 45,990,682
License and permits	1,764,004	-	-	-	-	-	1,764,004
Charges for services	3,295,312	830	-	2,648,892	-	855,016	6,800,050
Fines	2,424,064	-	-	-	-	-	2,424,064
Civil citations	-	-	-	-	-	923,282	923,282
Contributions	-	-	-	1,514	-	138,871	140,385
Special assessments	-	10,116	-	-	-	-	10,116
Investment income	23,461	63,681	2,971	5,832	13,177	68,056	177,178
Intergovernmental	2,185,889	1,209,879	82,853	117,462	-	871,552	4,467,635
Forfeitures	-	-	-	-	-	323,285	323,285
Miscellaneous	200,216	-	5,422	183,009	9,578	920,760	1,318,985
Total revenues	<u>37,004,516</u>	<u>1,284,506</u>	<u>6,951,953</u>	<u>7,300,067</u>	<u>22,755</u>	<u>11,775,869</u>	<u>64,339,666</u>
EXPENDITURES							
General government	9,946,750	135,214	-	-	-	591,547	10,673,511
Public safety	22,859,410	-	-	-	-	5,457,753	28,317,163
Culture and recreation	3,449,225	1,596	-	5,729,298	-	110,085	9,290,204
Public works	2,560,746	1,002,403	-	-	-	-	3,563,149
Capital outlay:							
General government	-	5,505,603	-	-	-	114,328	5,619,931
Public safety	63,523	-	-	-	-	213,865	277,388
Culture and recreation	-	-	-	433,047	-	25,508	458,555
Public works	36,818	3,589,450	-	-	-	226,605	3,852,873
Debt service:							
Principal retirement	-	-	6,049,287	-	-	2,474,147	8,523,434
Interest and fiscal charges	-	-	2,719,124	-	-	940,224	3,659,348
Total expenditures	<u>38,916,472</u>	<u>10,234,266</u>	<u>8,768,411</u>	<u>6,162,345</u>	<u>-</u>	<u>10,154,062</u>	<u>74,235,556</u>
Excess (deficiency) of revenues over expenditures	<u>(1,911,956)</u>	<u>(8,949,760)</u>	<u>(1,816,458)</u>	<u>1,137,722</u>	<u>22,755</u>	<u>1,621,807</u>	<u>(9,895,890)</u>
OTHER FINANCING SOURCES (USES)							
Issuance of debt	-	9,845,000	-	-	-	-	9,845,000
Premium on issuance of debt	-	300,486	-	-	-	-	300,486
Proceeds from sale of assets	-	600,551	195,306	553	-	2,635	799,045
Transfers in	3,976,204	1,141,465	1,969,348	558,650	-	136,995	7,782,662
Transfers out	(1,450,739)	(486)	-	(859,688)	(169,277)	(1,336,266)	(3,816,456)
Total other financing sources (uses)	<u>2,525,465</u>	<u>11,887,016</u>	<u>2,164,654</u>	<u>(300,485)</u>	<u>(169,277)</u>	<u>(1,196,636)</u>	<u>14,910,737</u>
Net change in fund balance	<u>613,509</u>	<u>2,937,256</u>	<u>348,196</u>	<u>837,237</u>	<u>(146,522)</u>	<u>425,171</u>	<u>5,014,847</u>
Fund balance - beginning of 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>
Fund balance - end of the year	<u>\$ 14,942,267</u>	<u>\$ 51,026,232</u>	<u>\$ 2,615,711</u>	<u>\$ 3,075,676</u>	<u>\$ 11,163,958</u>	<u>\$ 17,218,804</u>	<u>\$ 100,042,648</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, 2013

Net change in fund balances--total governmental funds	\$	5,014,847
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.		2,425,921
The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.		(1,233,856)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		329,833
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.		(1,305,883)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the difference between repayments and proceeds received.		(1,542,456)
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).		590,609
Change in net position of governmental activities	\$	4,279,015

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

CITY OF NORTH RICHLAND HILLS, TEXAS
Statement of Net Position
PROPRIETARY FUNDS
September 30, 2013

	Enterprise Funds				Governmental Activities - Internal Service
	Utility	Aquatic Park	Golf	Total Enterprise	
ASSETS					
Current					
Cash and cash equivalents	\$ 3,819,382	\$ 665,811	\$ -	\$ 4,485,193	\$ 1,000,003
Investments	10,980,141	2,654,230	721,774	14,356,145	6,327,594
Accounts receivable, net of allowance:					
Billed	2,266,413	-	-	2,266,413	-
Unbilled	2,162,030	-	-	2,162,030	-
Other	168,090	204,524	15	372,629	16,798
Interest receivable	29,138	4,969	5,934	40,041	24,380
Intergovernmental receivable	120,728	-	-	120,728	-
Prepaid items	20,460	9,024	18,501	47,985	426,732
Due from other funds	34,208	-	-	34,208	-
Inventories, at cost	170,323	17,096	42,273	229,692	113,600
Total current assets	<u>19,770,913</u>	<u>3,555,654</u>	<u>788,497</u>	<u>24,115,064</u>	<u>7,909,107</u>
Noncurrent					
Restricted assets					
Cash and cash equivalents	11,543,626	72,043	172,913	11,788,582	2,412,490
Investments	1,353,553	-	-	1,353,553	4,000,000
Total restricted cash and cash equivalents	<u>12,897,179</u>	<u>72,043</u>	<u>172,913</u>	<u>13,142,135</u>	<u>6,412,490</u>
Advances to other funds	169,863	-	-	169,863	-
Capital assets, at cost					
Land	75,366	745,771	1,758,000	2,579,137	-
Building and improvements	1,136,327	2,465,964	802,762	4,405,053	135,455
Other improvements	-	19,258,511	5,290,587	24,549,098	602,769
Utility plant in service	100,155,835	-	-	100,155,835	-
Machinery and equipment	1,952,380	830,856	2,277,311	5,060,547	8,293,876
Construction in progress	3,595,655	-	-	3,595,655	67,993
Accumulated depreciation	(51,820,427)	(8,959,884)	(5,750,170)	(66,530,481)	(5,763,262)
Net capital assets	<u>55,095,136</u>	<u>14,341,218</u>	<u>4,378,490</u>	<u>73,814,844</u>	<u>3,336,831</u>
Total noncurrent assets	<u>68,162,178</u>	<u>14,413,261</u>	<u>4,551,403</u>	<u>87,126,842</u>	<u>9,749,321</u>
Total assets	<u>87,933,091</u>	<u>17,968,915</u>	<u>5,339,900</u>	<u>111,241,906</u>	<u>17,658,428</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	4,129	-	3,375	7,504	-
Total deferred outflows of resources	<u>4,129</u>	<u>-</u>	<u>3,375</u>	<u>7,504</u>	<u>-</u>
LIABILITIES					
Current					
Accounts payable and accrued expenses	4,671,340	140,210	165,062	4,976,612	1,496,994
Retainage payable	21,968	-	-	21,968	-
Other current liabilities	82,029	5,391	16,956	104,376	25,493
Compensated absences	27,262	7,118	-	34,380	17,673
Unearned revenue	-	7,013	67,840	74,853	2,314
Due to other funds	-	-	181,968	181,968	-
Accrued interest payable	39,098	30,661	4,730	74,489	-
Bonds payable	686,788	636,852	93,212	1,416,852	-
Capital lease payable	-	-	70,419	70,419	-
Total current liabilities	<u>5,528,485</u>	<u>827,245</u>	<u>600,187</u>	<u>6,955,917</u>	<u>1,542,474</u>
Noncurrent					
Customer deposits	2,311,466	-	-	2,311,466	-
Bonds payable	9,155,044	5,802,027	797,734	15,754,805	-
Capital lease payable	-	-	246,820	246,820	-
Compensated absences	361,883	79,910	-	441,793	232,517
Intergovernmental payables	862,611	-	-	862,611	-
Advances from other funds	-	-	611,147	611,147	-
Other post employment benefits obligation	743,355	122,251	-	865,606	579,729
Net pension obligation	397,081	66,365	-	463,446	313,765
Total noncurrent liabilities	<u>13,831,440</u>	<u>6,070,553</u>	<u>1,655,701</u>	<u>21,557,694</u>	<u>1,126,011</u>
Total liabilities	<u>19,359,925</u>	<u>6,897,798</u>	<u>2,255,888</u>	<u>28,513,611</u>	<u>2,668,485</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred gain on refunding	-	44,656	-	44,656	-
Total deferred inflows of resources	<u>-</u>	<u>44,656</u>	<u>-</u>	<u>44,656</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	51,687,875	7,081,252	3,274,937	62,044,064	3,336,831
Impact fees restricted for construction	3,902,636	-	-	3,902,636	-
Unrestricted (deficit)	12,986,784	3,945,209	(187,550)	16,744,443	11,653,112
Total net position	<u>\$ 68,577,295</u>	<u>\$ 11,026,461</u>	<u>\$ 3,087,387</u>	<u>\$ 82,691,143</u>	<u>\$ 14,989,943</u>

Reconciliation to business-type activities:

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

Net Position of business-type activities

3,868,768
\$ 86,559,911

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 Position
PROPRIETARY FUNDS
Year Ended September 30, 2013

	Enterprise Funds				Governmental
	Utility	Aquatic Park	Golf	Total Enterprise	Activities - Internal Service
OPERATING REVENUES					
Charges for services:					
Water and sewer service	\$ 29,202,286	\$ -	\$ -	\$ 29,202,286	\$ -
Service charges	920,210	-	-	920,210	-
Inspection fees	36,235	-	-	36,235	-
Golf course fees and charges	-	-	2,371,010	2,371,010	-
Aquatic park admissions and services	-	4,339,742	-	4,339,742	-
Other intergovernmental	138,831	-	7,291	146,122	14,902
Risk management	-	-	-	-	9,786,119
Facilities and fleet management	-	-	-	-	5,588,912
Information systems management	-	-	-	-	2,516,696
Miscellaneous revenues	3,133	37,645	14	40,792	275,827
Total operating revenues	<u>30,300,695</u>	<u>4,377,387</u>	<u>2,378,315</u>	<u>37,056,397</u>	<u>18,182,456</u>
OPERATING EXPENSES					
Claims	-	-	-	-	7,992,402
Contractual services	1,723,129	932,540	-	2,655,669	1,693,493
Water purchases	8,268,079	-	-	8,268,079	-
Wastewater treatment services	4,715,471	-	-	4,715,471	-
Personnel services	5,141,377	1,733,496	-	6,874,873	3,698,611
Golf course sales and service	-	-	2,089,435	2,089,435	-
Repairs and maintenance	3,958,178	410,164	-	4,368,342	1,681,504
Supplies	277,003	575,920	-	852,923	1,363,107
Depreciation	3,209,388	778,214	434,890	4,422,492	867,001
Total operating expenses	<u>27,292,625</u>	<u>4,430,334</u>	<u>2,524,325</u>	<u>34,247,284</u>	<u>17,296,118</u>
Operating income	<u>3,008,070</u>	<u>(52,947)</u>	<u>(146,010)</u>	<u>2,809,113</u>	<u>886,338</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	53,776	3,450	23,724	80,950	28,897
Interest and fiscal charges	(330,596)	(243,661)	(35,753)	(610,010)	-
Other income (expense)	16	3,000	2,351	5,367	104,909
Gain (loss) on disposal of assets	(913)	(75,692)	(6,555)	(83,160)	(137,841)
Total nonoperating revenues (expenses)	<u>(277,717)</u>	<u>(312,903)</u>	<u>(16,233)</u>	<u>(606,853)</u>	<u>(4,035)</u>
Income (loss) before transfers	<u>2,730,353</u>	<u>(365,850)</u>	<u>(162,243)</u>	<u>2,202,260</u>	<u>882,303</u>
TRANSFERS					
Transfers in	30	391	-	421	371,390
Transfers out	(3,729,608)	(213,058)	(4,268)	(3,946,934)	(391,083)
Total transfers - net	<u>(3,729,578)</u>	<u>(212,667)</u>	<u>(4,268)</u>	<u>(3,946,513)</u>	<u>(19,693)</u>
Change in net position	(999,225)	(578,517)	(166,511)	(1,744,253)	862,610
Net position - beginning of year	69,703,194	11,720,391	3,262,966	84,686,551	14,127,333
Adjustment to beginning net position, accounting standard implementation	(126,674)	(115,413)	(9,068)	(251,155)	-
Net position - end of year	<u>\$ 68,577,295</u>	<u>\$ 11,026,461</u>	<u>\$ 3,087,387</u>	<u>\$ 82,691,143</u>	<u>\$ 14,989,943</u>
Reconciliation of Change in Net Position - Business-type Activities:					
Change in net position of enterprise funds				(1,744,253)	
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				272,001	
Change in net position of business-type activities				<u>\$ (1,472,252)</u>	

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

CITY OF NORTH RICHLAND HILLS, TEXAS
Statement of Cash Flows
PROPRIETARY FUNDS
Year Ended September 30, 2013

	Enterprise Funds				Governmental Activities - Internal Service
	Utility	Aquatic Park	Golf	Totals	
Cash flows from operating activities:					
Receipts from customers	\$ 30,327,646	\$ 4,227,923	\$ 2,386,622	\$ 36,942,191	\$ -
Receipts from interfund services provided	-	-	-	-	17,891,727
Other operating revenue (expense)	821,058	38,128	(27,833)	831,353	289,820
Payments to suppliers	(19,634,990)	(1,906,242)	(2,120,549)	(23,661,781)	(12,766,892)
Payments to employees	(4,976,767)	(1,702,910)	-	(6,679,677)	(3,596,415)
Net cash provided by operating activities	<u>6,536,947</u>	<u>656,899</u>	<u>238,240</u>	<u>7,432,086</u>	<u>1,818,240</u>
Cash flows from noncapital financing activities:					
Transfers from other funds	30	391	-	421	371,390
Transfers to other funds	(3,729,608)	(213,058)	(4,268)	(3,946,934)	(391,083)
Interfund loan payments	-	-	(147,760)	(147,760)	-
Net cash used for noncapital and related financing activities	<u>(3,729,578)</u>	<u>(212,667)</u>	<u>(152,028)</u>	<u>(4,094,273)</u>	<u>(19,693)</u>
Cash flows from capital and related financing activities:					
Insurance recovery proceeds	16	3,000	2,351	5,367	104,909
Acquisition and construction of capital assets	(893,213)	(35,989)	(47,186)	(976,388)	(743,574)
Principal paid on capital debt	(676,546)	(847,425)	(159,148)	(1,683,119)	-
Interest paid on capital debt	(325,843)	(203,065)	(38,182)	(567,090)	-
Proceeds from sale of capital assets	-	-	-	-	11,528
Net cash used for capital and related financing activities	<u>(1,895,586)</u>	<u>(1,083,479)</u>	<u>(242,165)</u>	<u>(3,221,230)</u>	<u>(627,137)</u>
Cash flows from investing activities:					
Purchase of Investments	(11,256,226)	(2,426,911)	(722,088)	(14,405,225)	(9,812,136)
Proceeds from the sale of investments	11,299,358	2,555,000	640,292	14,494,650	7,764,319
Interest and dividends received	71,422	9,591	21,649	102,662	36,402
Net cash provided by investing activities equivalents	<u>114,554</u>	<u>137,680</u>	<u>(60,147)</u>	<u>192,087</u>	<u>(2,011,415)</u>
	<u>1,026,337</u>	<u>(501,567)</u>	<u>(216,100)</u>	<u>308,670</u>	<u>(840,005)</u>
Cash and cash equivalents beginning of year	14,336,671	1,239,421	389,013	15,965,105	4,252,498
Cash and cash equivalents end of year	<u>\$ 15,363,008</u>	<u>\$ 737,854</u>	<u>\$ 172,913</u>	<u>\$ 16,273,775</u>	<u>\$ 3,412,493</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	<u>\$ 3,008,070</u>	<u>\$ (52,947)</u>	<u>\$ (146,010)</u>	<u>\$ 2,809,113</u>	<u>\$ 886,338</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation expense	3,209,388	778,214	434,890	4,422,492	867,001
Other expense	-	-	-	-	5,987
(Increase) decrease in accounts receivable	168,915	(111,819)	15,612	72,708	(3,223)
(Increase) decrease in intergovernmental receivables	354,822	-	-	354,822	-
(Increase) decrease in inventories	130,068	124	2,462	132,654	26,696
(Increase) decrease in prepaid items	(9,502)	(2,829)	20,540	8,209	(133,168)
Increase (decrease) in accounts payable	(814,264)	20,344	(35,092)	(829,012)	64,099
Increase (decrease) in customer deposits payable	295,281	-	-	295,281	-
Increase (decrease) in compensating absences	11,899	5,802	-	17,701	(26,185)
Increase (decrease) in other post employment benefits	171,736	27,916	-	199,652	134,810
Increase (decrease) in intergovernmental payable	28,991	-	-	28,991	-
Increase (decrease) in other liabilities	568	(5,257)	(19,024)	(23,713)	-
Increase (decrease) in net pension obligation	(19,025)	(3,132)	-	(22,157)	(14,456)
Increase (decrease) in unearned revenues	-	483	(35,138)	(34,655)	2,314
Increase (decrease) in accrued liabilities	-	-	-	-	8,027
Total adjustments	<u>3,528,877</u>	<u>709,846</u>	<u>384,250</u>	<u>4,622,973</u>	<u>931,902</u>
Net cash provided by operating activities	<u>\$ 6,536,947</u>	<u>\$ 656,899</u>	<u>\$ 238,240</u>	<u>\$ 7,432,086</u>	<u>\$ 1,818,240</u>
Noncash from capital and related financing activities:					
Capitalized interest	13,809	930	26,701	41,440	-
Loss on disposal of assets	-	-	-	-	(826,155)

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

CITY OF NORTH RICHLAND HILLS, TEXAS
Statement of Net Position
FIDUCIARY FUNDS
September 30, 2013

	OPEB Trust
ASSETS	
Investments, at fair value	
Mutual funds	\$ 1,058,069
Total assets	1,058,069
NET POSITION	
Held in trust for other post employment benefits	1,058,069
Total net position	\$ 1,058,069

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

CITY OF NORTH RICHLAND HILLS, TEXAS
Statement of Revenues, Expenses, and
Changes in Net Position
FIDUCIARY FUNDS
For the Year Ended September 30, 2013

	<u>OPEB Trust</u>
ADDITIONS	
Contributions:	
Employer	\$1,464,473
Investment earnings	83,765
Total additions	1,548,238
DEDUCTIONS	
Benefit payments	1,278,708
Investment expense	5,847
Total deductions	1,284,555
Change in net position	263,683
Net position - beginning	794,386
Net position - ending	\$1,058,069

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, 2013

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CITY OF NORTH RICHLAND HILLS
Notes to Basic Financial Statements
September 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its blended component units. For the most part, the effect of interfund activity has been eliminated from these statements. However, interfund services provided and used are not eliminated in the consolidation process. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for support.

CITY OF NORTH RICHLAND HILLS

Notes to Basic Financial Statements

September 30, 2013

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and grants and contributions that are designated to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

Governmental fund financial statements are reported using the *financial resources measurement focus and the modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

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

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

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

CITY OF NORTH RICHLAND HILLS

Notes to Basic Financial Statements

September 30, 2013

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

The City reports the following proprietary funds:

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

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

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

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

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

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

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

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

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

Deposits and investments

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

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.

CITY OF NORTH RICHLAND HILLS

Notes to Basic Financial Statements

September 30, 2013

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, 2013, the City did not own any types of securities other than those permitted by statute.

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

Receivables and payables

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

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

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

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

Property taxes are limited by the Texas Constitution to \$2.50 per \$100 of assessed valuation and by City Charter to \$1.50 per \$100 assessed valuation. The combined tax rate to finance general governmental service and debt service for the year ended September 30, 2013 was \$.61 per \$100 of assessed valuation.

Inventories and prepaid items

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

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

Restricted assets

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

CITY OF NORTH RICHLAND HILLS
Notes to Basic Financial Statements
September 30, 2013

Texas Statutes grants this authority to the City Council which upon their approval is valid for a five year period. Every five years, the impact fee plan expires and a new program must be developed and submitted to Council for approval.

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

Assets have also been restricted by management for the following:

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

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

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

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

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

Capital assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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:

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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.

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

Long-term obligations

In the government-wide financial statements and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts, and losses on bond refundings are deferred and amortized over the life of the related debt using the straight-line method which approximates the interest method.

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

Deferred outflows/inflows of resources

During fiscal 2013 the City implemented GASB Statement no. 63: Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement no. 65: Items Previously Reported as Assets and Liabilities. These statements redefined certain transactions and balances previously reported as assets or liabilities to be reported instead as deferred inflow or outflow of resources. Therefore, the City has restated net position for previous elements that will affect future periods of the government either as an acquisition of net position (deferred inflow) or consumption of net position (deferred outflow).

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net

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

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

Per GASB statement No. 65, bond issuance costs, excluding bond insurance costs which should be treated as a prepaid asset, are to be recognized in the period of the debt issue. This resulted in a restatement of previously reported net position of (\$976,011) for governmental activities and (\$251,155) in business-type activities.

Fund balance

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

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

Committed Fund Balance Policy

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

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

- General Donations or contributions to the City that do not have specific goals designated by the donor are committed by council resolution to keep the original general intent for which they were received.
- Drainage Utility Fees are to be utilized for the infrastructure or debt service for such infrastructure.
- Gas Development funds are to be used for specific projects for various reasons such as deemed necessary by city management.

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Assigned Fund Balance Policy

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

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

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 position.

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

One element of that reconciliation explains that “capital assets used in governmental activities (excluding internal service capital assets) are not financial resources and, therefore, are not reported as assets in governmental funds.” The details of the \$237,455,052 difference are as follows:

Capital assets, net of depreciation (internal service funds excluded)	\$	226,651,468
Construction in progress (internal service funds excluded)		10,803,584
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities		237,455,052

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Another element of that reconciliation explains that “certain receivables are not available to pay current-period expenditures and, therefore, are deferred in the funds.” The details of the \$1,982,527 difference are as follows:

Interest earned but not available within 60 days for Govt. Activities	\$	74,064
Unearned revenue		<u>1,908,463</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	\$	<u>1,982,527</u>

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 Position but are not included at the fund level.” The details of the \$11,121,175 difference are as follows:

Net position, internal service funds combined	\$	14,989,943
Amount allocated to business-type activities		<u>(3,868,768)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	\$	<u>11,121,175</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 \$(114,310,551) difference are as follows:

Bonds payable - short-term	\$	(8,013,148)
Bonds payable - long-term		(93,286,147)
Loans payable - short-term		(311,349)
Deferred gain on refunding		263,069
Deferred loss on refunding		(231,429)
Accrued interest payable		(425,904)
Compensated absences		(2,723,903)
Other post employment benefits obligation		(6,183,308)
Net pension obligation		<u>(3,398,432)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	\$	<u>(114,310,551)</u>

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

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

One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$2,425,921 difference are as follows:

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Capital outlay - assets acquisitions	\$ 10,103,174
Depreciation expense	<u>(7,677,253)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 2,425,921</u>

The next element of that reconciliation explains that “the net effects of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.” The details of this \$(1,233,856) difference are as follows:

Asset retirements and impairments	\$ (1,348,199)
Contribution of Capital Assets from outside organizations	<u>114,343</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (1,233,856)</u>

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 \$329,833 difference are as follows:

Investment income not available for current financial resources	\$ 53,089
Revenue that is earned but not received	<u>276,744</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 329,833</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 \$(1,305,883) difference are as follows: (Excludes Internal Service Funds)

Changes in:	
Accrued interest/interest expense	\$ (94,026)
Other post employment benefits	(1,432,368)
Net pension obligation	156,055
Compensated absences	<u>64,456</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (1,305,883)</u>

Another element of that reconciliation states that “bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the difference between repayments and proceeds received.” The details of this \$(1,542,456) difference are as follows: (Excludes Internal Service Funds)

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Debt issued or incurred:	
General obligation bonds	\$ (9,845,000)
Principal repayments:	
General obligation bonds	5,169,136
Certificates of obligation bonds	2,420,000
Sales tax revenue bonds	405,000
Loan repayments	529,298
Premium on bond sale	(300,486)
Current year amortization of bond costs, premium, discount, deferred inflows and outflows (gain and loss)	79,596
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	\$ (1,542,456)

Another element of that reconciliation states that “the net revenue (expense) of internal service funds is reported with governmental activities.” The details of the \$590,609 difference are as follows:

Change in net position - internal service funds combined	\$ 862,610
Income (Expenses) reflected in business-type activities	(272,001)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	\$ 590,609

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

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

The investment policy of the City is governed by State statute and a Council adopted City Investment Policy. Major controls stipulated in the Investment Policy include: depository limitations require Federal Deposit Insurance Corporation (“FDIC”) insurance or full 100 percent collateralization; depositories are limited to Texas banking institutions; all collateral for repurchase agreements and deposits 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 statutes require all time and demand deposits to be fully insured or collateralized. At September 30, 2013 the carrying amount of the City’s demand deposits were \$7,870,498. Accounts with under \$250,000 balance of either an interest bearing account or non-interest bearing account are covered by FDIC deposit insurance. The total cash held in demand deposits has been fully collateralized and meets statutes’ requirements.

As of September 30, 2013, the City’s investment pool portfolio (excluding bank deposits) are held by the City’s custodian in the City’s name under written agreements. The City’s custodian is JP Morgan Chase.

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

The City's investment pool, excluding fiduciary funds, held the following cash, cash equivalents, and investments as of September 30, 2013:

	<u>Total</u>
Cash on hand (petty cash, cashier tills) \$	16,956
Demand Deposit Accounts	7,870,498
Investment Pools	54,633,874
Certificates of Deposit	400,000
US Treasury Notes	32,242,016
U.S. Agencies	<u>50,383,326</u>
Total deposits and investments	<u>\$ 145,546,670</u>

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

Legal provisions generally permit the City to invest in certificates of deposit, repurchase agreements, public funds investment pools, direct obligations of the United States of America or its subdivisions, and state and local government securities. Because the City is responsible for the investment portfolio of its blended component units, the City's investment practices and policies disclosed herein apply equally to its component units. During the year ended September 30, 2013, 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.

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The table below states investments at fair value:

Investment Type	WAM	Rating	Agency	Total
Investment pools:				
TexPool	55	AAAm	S&P	\$ 39,386,397
LOGIC	55	AAAm	S&P	12,866,026
TexSTAR	51	AAAm	S&P	2,381,451
Total pools				<u>\$ 54,633,874</u>
Certificates of Deposit:	2	NR	NR	400,000
Total certificates of deposit				<u>\$ 400,000</u>
USTR	225	AA+	S&P	32,242,016
Total U.S. Treasuries				<u>\$ 32,242,016</u>
U.S. Agencies and Government Sponsored Entities:				
FHLB	11	AA+	S&P	\$ 5,850,359
FHLMC	43	AA+	S&P	9,486,800
FNMA	224	AA+	S&P	35,046,167
Total U.S. Agencies & Government Sponsored Entities				<u>\$ 50,383,326</u>
Total Portfolio				<u><u>\$ 137,659,216</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, 2013 all investments are registered in the name of the OPEB Plan's custodian established through a master trust custodial agreement. The OPEB Trust Fund investments are carried at fair value of \$1,058,069 as of September 30, 2013. The Trust's funds are invested in a mutual fund that is invested in equity, money market and fixed income mutual funds. The investment strategy of the OPEB Trust Fund is to provide current income with capital appreciation. The credit rating and weighted average maturity is not available for the pool.

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

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

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

<u>Investment Type</u>	<u>Total</u>
Mutual Fund:	
Highmark Moderate	\$ 1,058,069
Total mutual fund	<u>\$ 1,058,069</u>
 Total Portfolio	 <u><u>\$ 1,058,069</u></u>

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B. Receivables

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

Governmental Funds:

	General	Parks and Recreation Development	Non-major	Total
Accounts	\$ 4,300,966	\$ -	\$ 98,178	\$ 4,399,144
Property taxes	712,807	-	-	712,807
Other taxes	1,823,269	739,689	799,940	3,362,898
Total	<u>\$ 6,837,042</u>	<u>\$ 739,689</u>	<u>\$ 898,118</u>	<u>\$ 8,474,849</u>
Allowance	<u>(4,509,916)</u>	<u>-</u>	<u>(3,242)</u>	<u>(4,513,158)</u>
Total (net of allowance)	<u>\$ 2,327,126</u>	<u>\$ 739,689</u>	<u>\$ 894,876</u>	<u>\$ 3,961,691</u>

Proprietary Funds:

	Utility	Aquatic Park	Golf	Total	Internal Service
Accounts	\$ 4,779,119	\$ 204,524	\$ 15	\$ 4,983,658	\$ 16,798
Total	<u>\$ 4,779,119</u>	<u>\$ 204,524</u>	<u>\$ 15</u>	<u>\$ 4,983,658</u>	<u>\$ 16,798</u>
Allowance	<u>(182,586)</u>	<u>-</u>	<u>-</u>	<u>(182,586)</u>	<u>-</u>
Total (net of allowance)	<u>\$ 4,596,533</u>	<u>\$ 204,524</u>	<u>\$ 15</u>	<u>\$ 4,801,072</u>	<u>\$ 16,798</u>

Unearned Revenue

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

	Unearned
General Fund:	
Escrow deposits	\$ 24,741
LEOSE Public Safety proceeds	28,747
Other	1,013
Sub-total	<u>\$ 54,501</u>
Parks and Recreation Development Corporation:	
Centre and event deposits for future services	\$ 42,936
Sub-total	<u>\$ 42,936</u>
Other governmental:	
Other	\$ 633
Sub-total	<u>\$ 633</u>
Total governmental funds	<u>\$ 98,070</u>

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Reconciliation of unearned revenues to the Government-wide Statement of Net Position is as follows:

Governmental activities for unearned revenue is:

	Unearned
Governmental funds	\$ 98,070
Internal service funds	2,314
Total unearned revenue	\$ 100,384

Business-type activities for unearned revenue is:

	Unearned
Deposits, Gift Certificates, Store Credit	\$ 74,853
Total deferred/unearned revenue for business funds	\$ 74,853

C. Capital assets

Capital asset activity for the year ended September 30, 2013 was as follows:

Primary Government	Beginning			Ending
Governmental activities:	Balance	Increases	Decreases	Balance
Capital assets, nondepreciable				
Land	\$ 77,630,868	\$ 2,793,958	\$ 843,979	\$ 79,580,847
Works of art	298,208	-	-	298,208
Construction in progress	4,689,409	10,142,375	3,960,206	10,871,577
Total nondepreciable	82,618,485	12,936,333	4,804,185	90,750,632
Capital assets, depreciable:				
Buildings	63,401,030	11,652	4,020,126	59,392,556
Other improvements	182,673,929	940,000	-	183,613,929
Machinery and equipment	24,117,479	1,087,929	1,112,268	24,093,140
Total depreciable	270,192,438	2,039,581	5,132,394	267,099,625
Less accumulated depreciation for:				
Buildings	(19,225,161)	(1,883,911)	(3,477,457)	(17,631,615)
Other improvements	(77,876,242)	(5,176,565)	-	(83,052,807)
Machinery and equipment	(15,836,906)	(1,492,262)	(955,216)	(16,373,952)
Total accumulated depreciation	(112,938,309)	(8,552,738)	(4,432,673)	(117,058,374)
Total depreciable - net	157,254,129	(6,513,157)	699,721	150,041,251
Governmental activities - net	\$ 239,872,614	\$ 6,423,176	\$ 5,503,906	\$ 240,791,883

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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	518,124	3,980,865	903,334	3,595,655
Total nondepreciable	<u>3,097,261</u>	<u>3,980,865</u>	<u>903,334</u>	<u>6,174,792</u>
Capital assets, depreciable:				
Buildings	4,405,053	-	-	4,405,053
Utility Plant	99,445,404	720,478	10,047	100,155,835
Other improvements	24,634,997	12,830	98,729	24,549,098
Machinery and equipment	4,876,154	291,979	107,586	5,060,547
Total depreciable	<u>133,361,608</u>	<u>1,025,287</u>	<u>216,362</u>	<u>134,170,533</u>
Less accumulated depreciation for:				
Buildings	(2,095,835)	(148,081)	-	(2,243,916)
Utility Plant	(46,870,531)	(3,018,662)	(9,886)	(49,879,307)
Other improvements	(10,467,377)	(825,646)	(23,037)	(11,269,986)
Machinery and equipment	(2,764,339)	(451,011)	(78,076)	(3,137,274)
Total accumulated depreciation	<u>(62,198,080)</u>	<u>(4,443,400)</u>	<u>(110,999)</u>	<u>(66,530,481)</u>
Total depreciable - net	<u>71,163,528</u>	<u>(3,418,113)</u>	<u>105,363</u>	<u>67,640,052</u>
Business-type activities - net	<u>\$ 74,260,789</u>	<u>\$ 562,752</u>	<u>\$ 1,008,697</u>	<u>\$ 73,814,844</u>

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

Governmental activities:	
General government	\$355,194
Public safety	679,330
Culture and recreation	2,066,142
Public works	4,576,587
Internal services	867,001
Total depreciation expense - governmental activities	<u>\$ 8,544,254</u>

Business-type activities:	
Water and sewer	\$3,209,388
Golf course	434,890
Aquatic park	778,214
Total depreciation expense - business-type activities	<u>\$ 4,422,492</u>

CITY OF NORTH RICHLAND HILLS
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Construction commitments

The City has active construction projects as of September 30, 2013. 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, 2013	Committed
Streets, drainage, public safety, park improvements, municipal facilities, equipment, and utility improvements	\$ 147,257,875	\$ 66,889,600	\$ 80,368,275

D. Interfund receivables, payables, and transfers

At September 30, 2013, interfund balances consisted of the following:

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

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

Governmental activities:

Due to	Due from	Total
General Fund	Golf Fund	\$ 147,760
Total		\$ 147,760

Business-type activities:

Due to	Due from	Total
Water and Sewer Fund	Golf Fund	34,208
Total		\$ 34,208
Total for all funds		\$ 181,968

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. 2013 advances to other funds ending balances were as follows:

CITY OF NORTH RICHLAND HILLS
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Governmental activities:

<u>Advances to</u>	<u>Advances from</u>	<u>Total</u>
General Fund	Golf fund	\$ 441,284
Total		\$ 441,284

Business-type activities:

<u>Advances to</u>	<u>Advances from</u>	<u>Total</u>
Water and Sewer Fund	Golf Fund	\$ 169,863
Total		169,863
Total for all funds		\$ 611,147

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	Utility	Aquatic Park	Internal Service Funds	
Transfer out:									
Governmental:									
General Fund	\$ -	\$ 850,000	\$ -	\$ 487,102	\$ 27,217	\$ 30	\$ -	\$ 86,390	\$ 1,450,739
General Capital Projects	-	-	95	-	-	-	391	-	486
Parks and Recreation Development Fund	367,635	17,932	364,343	-	109,778	-	-	-	859,688
Tax Increment Finance District #2	-	169,277	-	-	-	-	-	-	169,277
Other Governmental	-	62,202	1,214,064	-	-	-	-	60,000	1,336,266
Subtotal governmental funds	<u>\$ 367,635</u>	<u>\$ 1,099,411</u>	<u>\$ 1,578,502</u>	<u>\$ 487,102</u>	<u>\$ 136,995</u>	<u>\$ 30</u>	<u>\$ 391</u>	<u>\$ 146,390</u>	<u>\$ 3,816,456</u>
Proprietary:									
Utility Fund	\$ 3,471,481	\$ 33,127	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 225,000	\$ 3,729,608
Aquatic Park	137,088	4,422	-	71,548	-	-	-	-	213,058
Golf	-	4,268	-	-	-	-	-	-	4,268
Subtotal enterprise funds	<u>3,608,569</u>	<u>41,817</u>	<u>-</u>	<u>71,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>225,000</u>	<u>3,946,934</u>
Internal Service Funds	-	237	390,846	-	-	-	-	-	391,083
Grand total	<u>\$ 3,976,204</u>	<u>\$ 1,141,465</u>	<u>\$ 1,969,348</u>	<u>\$ 558,650</u>	<u>\$ 136,995</u>	<u>\$ 30</u>	<u>\$ 391</u>	<u>\$ 371,390</u>	<u>\$ 8,154,473</u>

Governmental

In 2013, General Fund received \$367,635 from Parks and Recreation Development Corporation for indirect cost fee. Utility Fund transferred \$3,471,481. This transfer is for payment for administration fees, payment in lieu of tax, and franchise fees. Aquatic Parks paid for indirect and administration fees in the total sum of \$137,088.

CITY OF NORTH RICHLAND HILLS
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General Capital projects received \$850,000 from General Fund. These transfers were for permanent street and sidewalk construction projects. The other transfers from Parks and Recreation Development Corporation, Tax Increment Finance District #2, Other Governmental Funds, Utility, Aquatic Park, Golf Fund, and Internal Services represent transfers to cover cost for capital and construction contract administration. These transfers in total were \$291,465.

General Debt Service receives transfer from self-supporting debt repayment sources each year. Parks and Recreation Development Corporation, Other Governmental, and Internal Service funds transferred \$364,343, \$1,214,064, and \$390,846 respectively for their portion of debt service paid in 2013. The other transfer of \$95 was for debt issuance premium allocated erroneously in a prior year to General Capital Projects Fund.

Parks and Recreation Development Corporation received a baseline level transfer in from General Fund for the Recreation Centre operations. The transfer amount for 2013 was \$487,102. Aquatic Park transfer of \$71,548 is an annual transfer to help offset operational costs incurred by the fund for the water park operations.

Non-major governmental funds received transfers from General Fund (\$27,217) and Parks and Recreation Development Corporation Fund (\$109,778). General funds transfer was into ARRA Grant fund for the city's portion of expenses to match the grant. The transfer was the last transaction for the grant it has closed out the program. Parks and Recreation Corporation Fund transferred the annual settlement of sales tax 4B receipts to the economic development fund.

Proprietary

Utility received a transfer from General Fund totaling \$30. Transfer was for an adjustment for costs allocated and corrected.

In 2013, \$391 was transferred to Aquatic Park from the General Capital Projects Fund. This transfer represents a close out share of a construction project.

Internal service funds received additional funding to help offset non-capital project related costs above normal operations. These transfers were respectively \$86,390 (General Fund), \$60,000 (Other Governmental Funds), and \$225,000 (Utility Fund).

E. Long-term debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital assets such as streets, drainage structures, and municipal facilities, as well as for the purpose of refunding a portion of its outstanding debt. General obligation bonds have been issued for governmental activities (new municipal facility) during the year ended September 30, 2013. The debt issued was \$9,845,000 at an additional premium of \$300,486. 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 - 4.75%	\$ 68,945,252
Business-type activities	2.00 - 4.20%	1,759,748
		<u>\$ 70,705,000</u>

CITY OF NORTH RICHLAND HILLS
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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
2014	\$ 5,488,148	\$ 2,164,661	\$ 291,852	\$ 60,806
2015	5,949,376	1,989,736	325,624	50,313
2016	5,443,918	1,816,095	276,082	39,215
2017	5,007,841	1,650,050	277,159	28,794
2018	4,742,841	1,490,563	227,159	19,018
2019-2023	19,423,128	5,346,356	361,872	36,403
2024-2028	14,150,000	2,558,526	-	-
2029-2033	8,740,000	566,619	-	-
	<u>\$ 68,945,252</u>	<u>\$ 17,582,606</u>	<u>\$ 1,759,748</u>	<u>\$ 234,548</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.

Certificate of obligation bonds currently outstanding are as follows:

Purpose	Interest Rates	Principal Amount
Governmental activities	2.70 - 5.00%	\$ 30,910,000
Business-type activities	2.00 - 5.00%	15,300,000
		<u>\$ 46,210,000</u>

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

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 2,420,000	\$ 1,084,445	\$ 1,125,000	\$ 503,394
2015	2,340,000	1,007,252	1,010,000	468,299
2016	2,340,000	932,302	1,000,000	436,393
2017	2,290,000	857,919	995,000	405,908
2018	2,280,000	783,641	995,000	374,818
2019-2023	10,535,000	2,756,355	4,480,000	1,418,603
2024-2028	7,975,000	804,284	4,035,000	663,605
2029-2032	730,000	38,518	1,660,000	83,325
	<u>\$ 30,910,000</u>	<u>\$ 8,264,716</u>	<u>\$ 15,300,000</u>	<u>\$ 4,354,344</u>

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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	5.25%	\$ 210,000
		<u>\$ 210,000</u>

Revenue bond debt service requirements to maturity are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2015	\$ 105,000	\$ 11,025
2016	105,000	5,513
	<u>\$ 210,000</u>	<u>\$ 16,538</u>

Loans payable

Governmental activities acquired a loan to pay for certain land acquisition for the new recreation center 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
2014	\$ 311,349	\$ 5,933
	<u>\$ 311,349</u>	<u>\$ 5,933</u>

Capital Leases

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

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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
2014	81,799
2015	81,799
2016	81,799
2017	92,399
Total Minimum Lease Payments	337,797
Less: Amount representing interest	(20,558)
	<u>\$ 317,239</u>

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2013, is reflected in the following tables.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable					
General Obligation Bonds	\$ 64,269,388	\$ 9,845,000	\$ 5,169,136	\$ 68,945,252	\$ 5,488,148
Certificates of Obligation	33,330,000	-	2,420,000	30,910,000	2,420,000
Sales Tax Revenue Bonds	615,000	-	405,000	210,000	105,000
Loans Payable	840,426	-	529,077	311,349	311,349
Premium on Bond Issues	1,034,952	300,486	81,605	1,253,833	-
Discount on Bond Issues	(21,803)	-	(2,013)	(19,790)	-
Compensated Absences	3,059,219	343,991	429,118	2,974,092	173,577
Other Post Employment Benefits	5,195,858	1,567,179	-	6,763,037	-
Net Pension Obligation	3,882,708	-	170,511	3,712,197	-
Total Governmental Activities	<u>\$ 112,205,748</u>	<u>\$ 12,056,656</u>	<u>\$ 9,202,434</u>	<u>\$ 115,059,970</u>	<u>\$ 8,498,074</u>
Business-Type Activities:					
Bonds Payable					
General Obligation Bonds	\$ 2,210,612	\$ -	\$ 450,864	\$ 1,759,748	\$ 291,852
Certificates of Obligation	16,415,000	-	1,115,000	15,300,000	1,125,000
Capital Lease	387,846	-	70,607	317,239	70,419
Premium on Bond Issues	176,630	-	12,610	164,020	-
Discount on Bond Issues	(41,709)	-	(2,706)	(39,003)	-
Compensated Absences	446,458	57,599	27,883	476,174	34,380
Other Post Employment Benefits	665,954	199,652	-	865,606	-
Net Pension Obligation	485,603	-	22,157	463,446	-
Total Business-Type Activities	<u>\$ 20,746,394</u>	<u>\$ 257,251</u>	<u>\$ 1,696,415</u>	<u>\$ 19,307,230</u>	<u>\$ 1,521,651</u>

IV. OTHER INFORMATION

A. Risk management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. While the City has historically retained a portion of these risks, coverage exists for: general, employment practice, law enforcement, and errors and

CITY OF NORTH RICHLAND HILLS

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omissions liability; excess workers' compensation; property damage; commercial crime coverage; and employee life insurance. Premiums are paid into the self-insurance internal service fund by all other participating funds and are available to pay claims, claim reserves, and administrative costs of the program. As of September 30, 2013, the interfund premiums did 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 \$6,977,147 in the aggregate for a 12-month period beginning on January 1, 2013. Changes in the balances of claims liabilities during the past two years are as follows:

	<u>2013</u>	<u>2012</u>
Unpaid claims, beginning of year	\$ 1,036,724	\$ 866,542
Incurred claims (including IBNR)	8,002,401	7,022,699
Claim expense	<u>(7,992,402)</u>	<u>(6,852,517)</u>
Unpaid claims, end of year	<u>\$ 1,046,723</u>	<u>\$ 1,036,724</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 in 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, 2013, 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

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for repayment of the bonds. Accordingly the bonds are not reported as liabilities in the accompanying financial statements.

As of September 30, 2013, 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 City does not have a separate audited generally accepted accounting principles financial report for the retiree health plan.

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

<u>Membership</u>	
Non-vested active members	405
Fully-vested active members	85
Retirees and beneficiaries currently receiving benefits	116
	<u>606</u>

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

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

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For fiscal year 2013, the City contributed a total of \$1,464,473 to the plan for current premiums. Of the \$1,464,473, \$185,765 was contributed to the OPEB Trust in addition to regular participation and health insurance premium activity.

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

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Annual required contribution	\$ 2,587,136	\$ 2,712,747	\$ 2,991,041
Interest on net OPEB obligation	106,681	190,604	263,782
Adjustment to annual required contribution	<u>(84,640)</u>	<u>(151,228)</u>	<u>(209,284)</u>
Annual OPEB cost (expense)	2,609,177	2,752,123	3,045,539
Contributions made	<u>(744,182)</u>	<u>(1,125,966)</u>	<u>(1,278,708)</u>
Increase (Decrease) in net OPEB obligation	1,864,995	1,626,157	1,766,831
Net OPEB obligation-beginning of year	<u>2,370,660</u>	<u>4,235,655</u>	<u>5,861,812</u>
Net OPEB obligation-end of year	<u><u>\$ 4,235,655</u></u>	<u><u>\$ 5,861,812</u></u>	<u><u>\$ 7,628,643</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 through 2013:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2011	\$ 2,609,177	28.52%	\$ 4,235,655
9/30/2012	\$ 2,752,123	40.91%	\$ 5,861,812
9/30/2013	\$ 3,045,539	41.99%	\$ 7,628,643

Funded Status and Funding Progress. As of September 30, 2013, the most recent actuarial valuation date, the plan was 2% percent funded. The actuarial accrued liability for benefits was \$46,317,371, and the actuarial value of assets was \$1,032,303, resulting in an unfunded actuarial accrued liability (UAAL) of \$45,285,068. The covered payroll (annual payroll of active employees covered by the plan) was \$31,030,924 and the ratio of the UAAL to the covered payroll was 145.9%.

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

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are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the September 30, 2013, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses), which is a the interest rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10.00% initially, reduced by decrements to an ultimate rate of 5.00% after ten years. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. Each component of the calculation is being amortized over a thirty year period since inception.

The healthcare cost trend rate for the plan used 9.5% for 2013 ending with 4.5% rate 2023 and beyond.

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.

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September 30, 2013

Contribution

The contribution rate for employees is 7%, and the City's matching percent is currently 17.87%, both as adopted by the City Council. Under the state law governing TMRS, the actuary annually determines the City contribution rate. The rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his retirement becomes effective. The prior service contribution rate amortizes the unfunded actuarial liability over the remainder of the plan's 30-year amortization period. Contributions are made monthly by both the employees and the City.

The actuarial valuation is performed annually to determine the City's required contribution percentage. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2011 is effective for rates beginning January 2013). 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 the last three valuations are as follows:

Valuation Date	12/31/2010	12/31/2011	12/31/2012
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	27.2 years: closed period	26.3 years: closed period	25.3 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 *	7.0%	7.0%	7.0%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

The TMRS Board of Trustees, in an effort to assist cities with increases greater than .5% in the required contribution rates occurring as a result of the changes in funding method and assumptions, voted to (1) extend the period for amortizing the unfunded actuarial accrued liability ("UAAL") to a 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-

CITY OF NORTH RICHLAND HILLS
Notes to Basic Financial Statements
September 30, 2013

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 \$26,060,893, which represents the difference between the actuarial value of assets of \$157,413,007 and the actuarial/accrued liability of \$183,473,900. The funded ratio of the City’s plan increased from 83.4% to 85.8% as a result of the decreased UAAL.

The City’s contributions to the plan were \$5,537,775, \$5,292,291, and \$4,958,007, for the years ended September 30, 2013, 2012, and 2011, respectively, in accordance with actuarially determined requirements. Contributions by the City were 17.26% (phase in rate) for the months in calendar year 2012 and 17.87% for the months in calendar year 2011. The total covered payroll in fiscal 2013 was \$31,030,924.

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual required contribution	\$ 5,310,872	\$ 5,463,543	\$ 6,054,626
Interest on net pension obligation	281,941	266,160	200,330
Adjustment to net pension obligation	<u>(247,706)</u>	<u>(228,790)</u>	<u>(165,750)</u>
Annual PENSION cost (expense)	5,345,107	5,500,912	6,089,206
Contributions made	<u>(5,537,775)</u>	<u>(4,934,866)</u>	<u>(4,958,007)</u>
Increase in net pension obligation	(192,668)	566,046	1,131,199
Net pension obligation-beginning of year	<u>4,368,311</u>	<u>3,802,265</u>	<u>2,671,066</u>
Net pension obligation-end of year	<u>\$ 4,175,643</u>	<u>\$ 4,368,311</u>	<u>\$ 3,802,265</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
9/30/2013	\$ 5,345,107	104%	\$ 4,175,643
9/30/2012	5,500,912	90%	4,368,311
9/30/2011	6,089,206	81%	3,802,265

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

CITY OF NORTH RICHLAND HILLS
Notes to Basic Financial Statements
September 30, 2013

F. Subsequent events

On October 28, 2013, the City issued \$8,890,000 in certificates of obligation bonds and \$20,945,000 in general and refunding obligation bonds. The reissued bonds are variable rates. The average interest rate on the bonds is 3.23% and 3.67% and both issues mature in February 2034.

G. Implementation of future GASB Statements

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

Statement No. 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 City in fiscal year 2014.

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 City 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 City in fiscal year 2015.

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;

CITY OF NORTH RICHLAND HILLS
Notes to Basic Financial Statements
September 30, 2013

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

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

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

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

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

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

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

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REQUIRED SUPPLEMENTARY INFORMATION



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CITY OF NORTH RICHLAND HILLS, TEXAS
 Required Supplementary Information
 Texas Municipal Retirement System Plan
 Schedule of Funding Progress

Valuation Dated December 31,	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as % of Payroll
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%
2012	157,413,007	183,473,900	26,060,893	85.8%	32,151,055	81.06%

Note: The Schedule of Funding Progress summarizes the actuarial value of the plan's assets and actuarial accrued liability as of December 31, 2012 and each of the six 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, 2012, the plan's funded ratio increased from 83.4% to 85.8%.

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, 2012, the plan's ratio of the UAAL to its covered payroll decreased from 93.73% to 81.06%.

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, 2012 TMRS Comprehensive Annual Financial Report (CAFR).

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

2013	2012	For Calendar Year		
2008	2007	2011	2010	2009
17.87%	17.77%	17.26%	16.07%	15.50%
13.50%	13.63%			

Note Source: TMRS Comprehensive Annual Report for the Year Ending December 31, 2012, 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)	Funded 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%
2013	\$ 1,032,303	\$ 46,317,371	\$ 45,285,068	2.00%	\$ 31,030,924	145.90%

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, 2013

	<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)	\$ 14,949,450	\$ 14,897,450	\$ 14,568,371	\$ (329,079)
City sales taxes	8,610,000	8,782,200	8,686,713	(95,487)
Mixed beverage taxes	100,000	103,000	117,223	14,223
Franchise taxes	5,019,236	4,921,720	4,942,902	21,182
Sub-total Taxes	<u>28,678,686</u>	<u>28,704,370</u>	<u>28,315,208</u>	<u>(389,162)</u>
Fines and forfeitures	2,399,032	2,576,746	2,424,064	(152,682)
Licenses and permits	1,355,715	1,855,001	1,952,861	97,860
Charges for services	3,188,635	3,438,844	3,519,825	80,981
Intergovernmental	4,325,821	4,188,406	4,173,981	(14,425)
Miscellaneous	793,751	743,480	742,156	(1,324)
Sub-total Non-Tax Revenues	<u>12,062,954</u>	<u>12,802,477</u>	<u>12,812,886</u>	<u>10,409</u>
Other Appropriations:				
Court Technology Funds	-	14,900	-	(14,900)
Court Security Funds	-	4,904	58,860	53,956
Utility Assistance Program	20,000	20,000	6,381	(13,619)
Encumbrances	-	387,534	387,534	-
Sub-Total Appropriations	<u>20,000</u>	<u>427,338</u>	<u>452,775</u>	<u>25,437</u>
TOTAL REVENUES	<u>40,761,640</u>	<u>41,934,185</u>	<u>41,580,869</u>	<u>(353,316)</u>
EXPENDITURES				
City Council	123,613	123,613	102,795	20,818
City Manager	523,907	526,855	526,000	855
Communications	338,178	340,413	322,447	17,966
City Secretary	454,703	458,382	422,820	35,562
Legal	338,509	338,509	318,493	20,016
Human Resources	128,322	139,447	129,946	9,501
Finance	706,801	742,143	695,709	46,434
Budget & Research	380,372	383,796	365,626	18,170
Municipal Court	1,304,927	1,337,276	1,285,723	51,553
Planning and Inspections	942,551	933,609	909,060	24,549
Economic Development	298,056	304,077	303,544	533
Library	1,992,928	2,013,047	1,961,961	51,086
Neighborhood Services	1,592,408	1,653,543	1,540,309	113,234
Public Works	3,627,315	3,703,305	3,397,672	305,633
Parks & Recreation	2,034,302	2,048,165	1,993,750	54,415
Police	12,186,527	12,378,629	12,098,984	279,645
Emergency Management	763,584	1,230,039	915,788	314,251
Fire	9,938,815	10,121,332	9,989,287	132,045
Building Services	678,270	678,270	678,270	-
Non-Departmental	2,140,102	2,191,819	2,250,905	(59,086)
Sub-Total Departments	<u>40,494,190</u>	<u>41,646,269</u>	<u>40,209,090</u>	<u>1,437,179</u>
Reserves & Other Expenditures				
Reserves	183,000	216,507	246,715	(30,208)
Information services	69,883	69,883	69,883	-
Sub-Total Reserves and Other	<u>252,883</u>	<u>286,390</u>	<u>316,598</u>	<u>(30,208)</u>
TOTAL EXPENDITURES	<u>40,747,073</u>	<u>41,932,659</u>	<u>40,525,688</u>	<u>1,406,971</u>
Net Increase	<u>\$ 14,567</u>	<u>\$ 1,526</u>	<u>\$ 1,055,181</u>	<u>\$ 1,053,655</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, 2013

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 Grants Fund adopt project-length budgets. All annual appropriations lapse at fiscal year end.

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

The appropriated budget is prepared by fund, department, and division. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. During the year the City budget appropriations were increased by \$1,597,587.

Legally Adopted Fund	Original	Final	Revision Increase (Decrease)	Explanation
General Fund	\$ 40,747,073	\$ 41,932,659	\$ 1,185,586	Prior year encumbrances totaling \$387,534 rolled into FY12/13 accounting for a part of this increase. Public Safety Departments (Police, Emergency Management, and Fire Protection) represented the rest of the final increase over original. Consolidation of four City's Police Services (911 Dispatch and Detention Center) into one center under the City's management, emergency service expenditures (i.e. radio system) and proprietary fire software were all added during fiscal year.
General Debt Service	\$ 8,452,619	\$ 8,518,637	\$ 66,018	During the fiscal year, minor adjustments were made to revise budget to include actual, instead of estimated, principal and interest payments.
Donations	\$ 151,297	\$ 141,297	\$ (10,000)	The decrease resulted from a removal of anticipated donation expenditures for a special event. This event was postponed during the 2013 year.
Special Investigations	\$ 550,904	\$ 624,128	\$ 73,224	During Fiscal Year 2012/2013 a new 911 communications grant was received for specialized communication equipment. This increased the amount of expenditure anticipated.
Parks and Recreation	\$ 7,620,861	\$ 7,819,706	\$ 198,845	The Debt Service transfer to cover Sales Tax Revenue Bonds principal and interest was reduced due to sufficient debt service reserve balances (Savings \$420,789). Management increased the amount to reserve for Capital Improvement for future budget periods in excess of this savings plus any anticipated net revenues from the Parks Maintenance of the fund.
Crime Control District	\$ 4,395,500	\$ 4,479,414	\$ 83,914	The minor increase in revised budget is related to the consolidation of Police Department services with three other local entities.
Total	\$ 61,918,254	\$ 63,515,841	\$ 1,597,587	

CITY OF NORTH RICHLAND HILLS, TEXAS
Notes to Required Supplementary Information
September 30, 2013

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>\$ 1,055,181</u>
The City budgets "appropriations from fund balance" as a resource/inflow but in GAAP statements it is not a revenue or inflow source for current year revenue recognition	(452,775)
The City budgets specific "Reserves" expenditures as a outflow but in GAAP statements it is not an expenditure: Peg Franchise Fees Reserves	152,961
Increase (decrease) in investment fair value changes are not considered a resource/inflow for budgetary recognition	385
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)
Outflows of sources for prepaid expenditures for budgetary purposes are immediately recognized as an outflow upon remittance of payment in budgetary basis. GAAP statements delay expenditure recognition until the period of coverage.	127,240
Outflows for expenditures for budgetary basis is recognized in actual period in which resources were used to expend the payment. Litigation expenditures incurred but not paid in current fiscal year were delayed to be appropriated in period the outflows transpired.	(78,000)
Special funded projects are appropriated through long range capital improvement budget in which segregated and specific funding is appropriated outside of the operating budget	(43,723)
Total "Net Change in Fund Balance" from the Statement of Revenues, Expenditures, and Changes in Balances - Governmental Fund -- General Fund	<u><u>\$ 613,509</u></u>

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

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

Net increase (decrease) to budgetary unreserved undesignated fund balance	<u>\$ 406,254</u>
The City budgets specific "Reserves" expenditures as a outflow but in GAAP statements it is not an expenditure: Net Operations from Parks Maintenance, Tennis Center, and Recreation Centre for future capital or operational needs	(58,058)
Total "Net Change in Fund Balance" from the Statement of Revenues, Expenditures, and Changes in Balances - Governmental Fund -- General Debt Service	<u><u>\$ 348,196</u></u>

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

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

Net increase (decrease) to budgetary unreserved undesignated fund balance	<u>\$ -</u>
The City budgets specific "Reserves" expenditures as a outflow but in GAAP statements it is not an expenditure: Net Operations from Parks Maintenance, Tennis Center, and Recreation Centre for future capital or operational needs	1,480,176
Special funded projects inflows/resources are appropriated through long range capital improvement budget in which segregated and specific funding is appropriated outside of the operating budget	117,912
Special funded projects expenditures are appropriated through long range capital improvement budget in which segregated and specific funding is appropriated outside of the operating budget	(760,851)
Total "Net Change in Fund Balance" from the Statement of Revenues, Expenditures, and Changes in Balances - Governmental Fund -- Parks and Recreation Development Corporation	<u><u>\$ 837,237</u></u>

CITY OF NORTH RICHLAND HILLS, TEXAS
Notes to Required Supplementary Information
September 30, 2013

E. Promotional Fund Budget-to-Actual Reconciliation

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

Net increase (decrease) to budgetary unreserved undesignated fund balance	<u>\$ 37,875</u>
Special funded projects are appropriated through long range capital improvement budget in which segregated and specific funding is appropriated outside of the operating budget	(39,956)
Total "Net Change in Fund Balance" from the Statement of Revenues, Expenditures, and Changes in Balances - Governmental Fund -- Promotional Fund	<u><u>\$ (2,081)</u></u>

F. Special Investigation Fund Budget-to-Actual Reconciliation

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

Net increase (decrease) to budgetary unreserved undesignated fund balance	<u>\$ 393,060</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	(252,285)
Total "Net Change in Fund Balance" from the Statement of Revenues, Expenditures, and Changes in Balances - Governmental Fund -- Special Investigations Fund	<u><u>\$ 140,775</u></u>

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

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

Net increase (decrease) to budgetary unreserved undesignated fund balance	<u>\$ -</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	(15,000)
The City budgets specific "Reserves" expenditures as a outflow but in GAAP statements it is not an expenditure: Peg Franchise Fees Reserves	184,301
Total "Net Change in Fund Balance" from the Statement of Revenues, Expenditures, and Changes in Balances - Governmental Fund -- Crime Control District Fund	<u><u>\$ 169,301</u></u>

H. Gas Development Fund Budget-to-Actual Reconciliation

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

Net increase (decrease) to budgetary unreserved undesignated fund balance	<u>\$ 861,917</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	(439,843)
Special funded projects inflows/resources are appropriated through long range capital improvement budget in which segregated and specific funding is appropriated outside of the operating budget	(3,756)
Special funded projects expenditures are appropriated through long range capital improvement budget in which segregated and specific funding is appropriated outside of the operating budget	(33,127)
Total "Net Change in Fund Balance" from the Statement of Revenues, Expenditures, and Changes in Balances - Governmental Fund -- Gas Development Fund	<u><u>\$ 385,191</u></u>

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

The 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 through 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
Combining Balance Sheet
Non-major Governmental Funds
September 30, 2013

	Special					
	Promotional	Donations	Special Investigations	Drainage Utility	Crime Control District	Grants
Assets						
Cash and cash equivalents	\$ 236,984	\$ 505,083	\$ 379,591	\$ 488,451	\$ -	\$ -
Investments	211,063	470,849	273,189	700,255	-	31,799
Receivables, net of allowance						
Accounts	-	-	-	94,933	-	-
Other taxes receivable	55,524	-	-	-	744,419	-
Interest receivable	234	517	273	413	119	2,249
Intergovernmental receivables	-	-	4,654	-	-	128,497
Other receivables	-	-	-	-	-	391
Prepaid items	443	-	1,793	-	148	-
Restricted:						
Cash and cash equivalents	-	-	-	-	552,137	-
Investments	-	-	-	-	34,302	-
Total assets	<u>\$ 504,248</u>	<u>\$ 976,449</u>	<u>\$ 659,500</u>	<u>\$ 1,284,052</u>	<u>\$ 1,331,125</u>	<u>\$ 162,936</u>
Liabilities						
Accounts payable	\$ 29,879	\$ 14,184	\$ 951	\$ -	\$ 11,205	\$ 52,326
Accrued liabilities	2,082	-	-	-	79,337	-
Intergovernmental payables	-	-	-	-	-	-
Deposits and other liabilities	-	12	-	-	-	-
Unearned revenue	-	-	633	-	-	29,918
Total liabilities	<u>31,961</u>	<u>14,196</u>	<u>1,584</u>	<u>-</u>	<u>90,542</u>	<u>82,244</u>
Fund Balance						
Nonspendables:						
Prepays	443	-	1,793	-	148	-
Restricted:						
Crime control district	-	-	-	-	1,240,435	-
Debt service	-	-	-	-	-	-
Grants	-	-	-	-	-	80,692
Promotional & economic development	468,844	-	-	-	-	-
Public safety	-	-	656,123	-	-	-
Capital projects (bond funded)	-	-	-	-	-	-
Committed:						
Donations	-	962,253	-	-	-	-
Drainage utility	-	-	-	1,284,052	-	-
Gas development	-	-	-	-	-	-
Assigned:						
Municipal facilities project	-	-	-	-	-	-
Encumbrances	3,000	-	-	-	-	-
Total fund balance	<u>472,287</u>	<u>962,253</u>	<u>657,916</u>	<u>1,284,052</u>	<u>1,240,583</u>	<u>80,692</u>
Total liabilities and fund balance	<u>\$ 504,248</u>	<u>\$ 976,449</u>	<u>\$ 659,500</u>	<u>\$ 1,284,052</u>	<u>\$ 1,331,125</u>	<u>\$ 162,936</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	
\$ -	\$ -	\$ 2,648,158	\$ 187,900	\$ -	\$ -	\$ -	\$ 4,446,167
-	3,463,579	2,475,084	145,031	-	-	-	7,770,849
-	-	-	-	-	-	-	94,933
-	-	-	-	-	-	-	799,943
-	3,251	1,236	572	5,661	1,483	89	16,097
-	-	-	-	-	-	-	133,151
-	-	71,586	-	-	-	-	71,977
-	-	-	-	-	79	672	3,135
-	1,053,237	-	-	590,565	652,665	359,810	3,208,414
-	-	-	-	83,314	871,878	122,137	1,111,631
<u>\$ -</u>	<u>\$ 4,520,067</u>	<u>\$ 5,196,064</u>	<u>\$ 333,503</u>	<u>\$ 679,540</u>	<u>\$ 1,526,105</u>	<u>\$ 482,708</u>	<u>\$ 17,656,297</u>
\$ -	\$ 55,000	\$ 1,050	\$ 46,984	\$ 16,617	\$ -	\$ -	\$ 228,196
-	-	-	2,854	-	-	-	84,273
-	-	-	94,461	-	-	-	94,461
-	-	-	-	-	-	-	12
-	-	-	-	-	-	-	30,551
-	55,000	1,050	144,299	16,617	-	-	437,493
-	-	-	-	-	79	672	3,135
-	-	-	-	-	-	-	1,240,435
-	-	-	-	-	1,526,026	482,036	2,008,062
-	-	-	-	-	-	-	80,692
-	717,590	-	-	-	-	-	1,186,434
-	-	-	189,204	-	-	-	845,327
-	-	-	-	662,923	-	-	662,923
-	-	-	-	-	-	-	962,253
-	-	-	-	-	-	-	1,284,052
-	-	1,915,014	-	-	-	-	1,915,014
-	3,747,477	3,280,000	-	-	-	-	7,027,477
-	-	-	-	-	-	-	3,000
-	4,465,067	5,195,014	189,204	662,923	1,526,105	482,708	17,218,804
<u>\$ -</u>	<u>\$ 4,520,067</u>	<u>\$ 5,196,064</u>	<u>\$ 333,503</u>	<u>\$ 679,540</u>	<u>\$ 1,526,105</u>	<u>\$ 482,708</u>	<u>\$ 17,656,297</u>

CITY OF NORTH RICHLAND HILLS, TEXAS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-major Governmental Funds
Year Ended September 30, 2013

	Special					
	Promotional	Donations	Special Investigations	Drainage Utility	Crime Control District	Grants
REVENUES						
Taxes	\$ 221,003	\$ -	\$ -	\$ -	\$ 4,400,773	\$ -
Charges for services	-	-	-	852,856	-	-
Civil citations	-	-	-	-	-	-
Contributions	-	138,871	-	-	-	-
Investment income	745	1,481	791	1,614	2,334	16,353
Intergovernmental	-	-	131,823	-	-	739,729
Forfeitures	-	-	323,285	-	-	-
Miscellaneous	-	3	-	-	-	-
Total revenues	<u>221,748</u>	<u>140,355</u>	<u>455,899</u>	<u>854,470</u>	<u>4,403,107</u>	<u>756,082</u>
EXPENDITURES						
General government	101,453	23,315	-	1,947	-	458,277
Public safety	-	9,668	215,630	-	4,233,806	169,828
Culture and recreation	82,420	21,295	-	-	-	6,370
Capital outlay:						
General government	25,000	-	-	-	-	-
Public safety	-	-	99,494	-	-	108,883
Culture and recreation	14,956	10,552	-	-	-	-
Public works	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>223,829</u>	<u>64,830</u>	<u>315,124</u>	<u>1,947</u>	<u>4,233,806</u>	<u>743,358</u>
Excess (deficiency) of revenues over expenditures	<u>(2,081)</u>	<u>75,525</u>	<u>140,775</u>	<u>852,523</u>	<u>169,301</u>	<u>12,724</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of assets	-	-	-	-	-	2,635
Transfer in	-	-	-	-	-	-
Transfers out	-	-	-	(774,221)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(774,221)</u>	<u>-</u>	<u>2,635</u>
Net change in fund balance	<u>(2,081)</u>	<u>75,525</u>	<u>140,775</u>	<u>78,302</u>	<u>169,301</u>	<u>15,359</u>
Fund balance - beginning of 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>
Fund balance - end of the year	<u>\$ 472,287</u>	<u>\$ 962,253</u>	<u>\$ 657,916</u>	<u>\$ 1,284,052</u>	<u>\$ 1,240,583</u>	<u>\$ 80,692</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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,053,271	\$ -	\$ 7,675,047
-	-	2,160	-	-	-	-	855,016
-	-	-	923,282	-	-	-	923,282
-	-	-	-	-	-	-	138,871
28	8,119	-	3,491	31,144	-	1,956	68,056
-	-	-	-	-	-	-	871,552
-	-	-	-	-	-	-	323,285
-	-	920,757	-	-	-	-	920,760
<u>28</u>	<u>8,119</u>	<u>922,917</u>	<u>926,773</u>	<u>31,144</u>	<u>3,053,271</u>	<u>1,956</u>	<u>11,775,869</u>
-	-	6,555	-	-	-	-	591,547
-	-	-	828,821	-	-	-	5,457,753
-	-	-	-	-	-	-	110,085
-	59,000	30,328	-	-	-	-	114,328
-	-	-	5,488	-	-	-	213,865
-	-	-	-	-	-	-	25,508
-	-	-	-	226,605	-	-	226,605
-	-	-	-	-	2,069,147	405,000	2,474,147
-	-	-	-	-	908,909	31,315	940,224
<u>-</u>	<u>59,000</u>	<u>36,883</u>	<u>834,309</u>	<u>226,605</u>	<u>2,978,056</u>	<u>436,315</u>	<u>10,154,062</u>
<u>28</u>	<u>(50,881)</u>	<u>886,034</u>	<u>92,464</u>	<u>(195,461)</u>	<u>75,215</u>	<u>(434,359)</u>	<u>1,621,807</u>
-	-	-	-	-	-	-	2,635
27,217	109,778	-	-	-	-	-	136,995
-	-	(500,843)	(60,000)	(1,202)	-	-	(1,336,266)
<u>27,217</u>	<u>109,778</u>	<u>(500,843)</u>	<u>(60,000)</u>	<u>(1,202)</u>	<u>-</u>	<u>-</u>	<u>(1,196,636)</u>
<u>27,245</u>	<u>58,897</u>	<u>385,191</u>	<u>32,464</u>	<u>(196,663)</u>	<u>75,215</u>	<u>(434,359)</u>	<u>425,171</u>
<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>\$ -</u>	<u>\$ 4,465,067</u>	<u>\$ 5,195,014</u>	<u>\$ 189,204</u>	<u>\$ 662,923</u>	<u>\$ 1,526,105</u>	<u>\$ 482,708</u>	<u>\$ 17,218,804</u>

CITY OF NORTH RICHLAND HILLS, TEXAS
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual
GENERAL DEBT SERVICE FUND
Year Ended September 30, 2013

	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes:				
Property taxes (penalties & interest included)	\$ 6,860,707	\$ 6,860,707	\$ 6,860,707	\$ -
Sub-total ad valorem taxes	<u>\$ 6,860,707</u>	<u>\$ 6,860,707</u>	<u>\$ 6,860,707</u>	<u>\$ -</u>
Transfers in:				
Drainage utility	636,851	774,221	774,221	-
Parks & recreation facilities development corp.	364,343	364,343	364,343	-
Fleet services fund	380,112	370,094	370,094	-
Facilities services fund	20,752	20,752	20,752	-
Gas development fund	-	439,881	439,843	(38)
Sub-total transfers in	<u>\$ 1,402,058</u>	<u>\$ 1,969,291</u>	<u>\$ 1,969,253</u>	<u>\$ (38)</u>
Other:				
Interest income	12,370	12,370	2,971	(9,399)
City of Watauga, cip participation	82,853	82,853	82,853	-
Miscellaneous Revenues	-	-	195,402	195,402
Appropriation of fund balance	94,631	58,058	58,058	-
Sub-total other	<u>\$ 189,854</u>	<u>\$ 153,281</u>	<u>\$ 339,284</u>	<u>\$ 186,003</u>
Total revenues	<u>\$ 8,452,619</u>	<u>\$ 8,983,279</u>	<u>\$ 9,169,244</u>	<u>\$ 185,965</u>
EXPENDITURES				
Existing bonds & co's	\$ 7,905,776	\$ 8,071,794	\$ 8,065,577	\$ 6,217
Existing loans	439,843	439,843	549,205	(109,362)
Issuance costs/paying agent fees	107,000	7,000	148,208	(141,208)
Total expenditures	<u>\$ 8,452,619</u>	<u>\$ 8,518,637</u>	<u>\$ 8,762,990</u>	<u>\$ (244,353)</u>
Net Increase (Decrease)	<u>\$ -</u>	<u>\$ 464,642</u>	<u>\$ 406,254</u>	<u>\$ (58,388)</u>

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

CITY OF NORTH RICHLAND HILLS, TEXAS
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual
PARKS AND RECREATION DEVELOPMENT CORPORATION FUND
Year Ended September 30, 2013

	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Sales tax	\$ 4,305,000	\$ 4,391,100	\$ 4,343,358	(47,742)
Interest income	9,671	9,671	5,379	(4,292)
Youth assn. maintenance fees	43,200	50,250	56,037	5,787
Tennis center revenue	363,400	368,564	364,603	(3,961)
Transfer in from aquatic park fund	71,548	71,548	71,548	-
Park impact fees	50,000	88,839	110,761	21,922
Insurance	-	5,191	5,191	-
Other income	1,200	2,459	2,545	86
NRH Centre				-
Memberships/drop-in passes	1,386,900	1,386,900	1,308,667	(78,233)
Fitness	302,290	317,000	338,251	21,251
Recreation/sports	273,890	260,402	263,439	3,037
Grand hall rental	141,520	144,520	129,542	(14,978)
Catering & event fees	40,000	40,000	13,368	(26,632)
Aquatic programs	53,360	75,000	81,560	6,560
Pool rental	3,000	5,000	5,646	646
Gym rental	3,100	5,100	5,910	810
Concessions/merchandise	13,000	24,200	29,580	5,380
Special events	10,000	10,160	10,542	382
Other	62,680	76,700	108,326	31,626
General fund	487,102	487,102	487,102	-
Total revenues	<u>\$ 7,620,861</u>	<u>\$ 7,819,706</u>	<u>\$ 7,741,355</u>	<u>\$ (78,351)</u>
EXPENDITURES				
Operating				
Park facilities development administration	\$ 672,753	\$ 679,481	\$ 680,471	\$ (990)
Parks & public grounds	1,871,326	1,890,662	1,701,319	189,343
Tennis center operations	606,376	611,360	573,145	38,215
Sub-total operating	<u>\$ 3,150,455</u>	<u>\$ 3,181,503</u>	<u>\$ 2,954,934</u>	<u>\$ 226,568</u>
NRH Centre				
Center management	\$ 634,538	\$ 628,520	\$ 609,060	\$ 19,460
Fitness	319,794	321,435	294,418	27,017
Building operations	174,637	176,271	168,211	8,060
Aquatic	567,139	511,833	481,301	30,532
Recreation sports	300,848	361,411	279,238	82,173
Event center	206,054	207,489	154,901	52,588
Building services	430,050	430,050	430,050	-
Sub-total NRH Centre	<u>\$ 2,633,060</u>	<u>\$ 2,637,009</u>	<u>\$ 2,417,180</u>	<u>\$ 219,830</u>
Other & Reserves				
Debt service - revenue bonds	\$ 420,789	\$ -	\$ -	\$ -
Debt service - CO's	364,343	364,343	364,343	-
Indirect costs	367,635	367,635	367,635	-
Non-department	81,194	49,577	47,309	2,268
Reserve for capital	351,978	914,786	1,115,422	(200,636)
Reserve for economic development	107,625	109,778	109,778	-
Reserve for NRH Centre	143,782	195,075	364,754	(169,679)
Total other & reserves	<u>\$ 1,837,346</u>	<u>\$ 2,001,194</u>	<u>\$ 2,369,241</u>	<u>\$ (368,047)</u>
Total expenditures	<u>\$ 7,620,861</u>	<u>\$ 7,819,706</u>	<u>\$ 7,741,355</u>	<u>\$ 78,351</u>
Net Increase (Decrease)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF NORTH RICHLAND HILLS, TEXAS
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual
PROMOTIONAL FUND
Year Ended September 30, 2013

	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Occupancy tax proceeds	\$ 210,500	\$ 209,494	\$ 221,003	11,509
Interest revenue	2,034	2,034	745	(1,289)
Total revenues	<u>\$ 212,534</u>	<u>\$ 211,528</u>	<u>\$ 221,748</u>	<u>\$ 10,220</u>
EXPENDITURES				
Economic development	\$ 106,051	\$ 106,617	\$ 101,203	\$ 5,414
Culture & leisure	104,366	104,366	82,420	21,946
Non-departmental	1,111	545	250	295
Total expenditures	<u>\$ 211,528</u>	<u>\$ 211,528</u>	<u>\$ 183,873</u>	<u>\$ 27,655</u>
Net Increase	<u>\$ 1,006</u>	<u>\$ -</u>	<u>\$ 37,875</u>	<u>\$ 37,875</u>

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

CITY OF NORTH RICHLAND HILLS, TEXAS
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual
DONATIONS FUND
Year Ended September 30, 2013

	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Contributions				
NRH water bills	\$ 88,692	\$ 69,204	\$ 67,000	(2,204)
Shelter fund	5,500	6,000	5,951	(49)
Sub-total contributions	<u>\$ 94,192</u>	<u>\$ 75,204</u>	<u>\$ 72,951</u>	<u>\$ (2,253)</u>
Donations				
Spay/neuter	\$ 15,000	\$ 9,625	\$ 8,852	(773)
Duncan	15,000	15,000	15,000	-
Santa cops	4,000	4,651	4,651	-
Sub-total donations	<u>\$ 34,000</u>	<u>\$ 29,276</u>	<u>\$ 28,503</u>	<u>\$ (773)</u>
Proceeds				
Library book sales	\$ 10,500	\$ 11,250	\$ 9,245	(2,005)
Sub-total proceeds	<u>\$ 10,500</u>	<u>\$ 11,250</u>	<u>\$ 9,245</u>	<u>\$ (2,005)</u>
Other				
Interest revenue	\$ 4,509	\$ 4,509	\$ 1,481	(3,028)
Other income	57,000	33,602	28,174	(5,428)
Sub-total other	<u>\$ 61,509</u>	<u>\$ 38,111</u>	<u>\$ 29,655</u>	<u>\$ (8,456)</u>
Total revenues	<u>\$ 200,201</u>	<u>\$ 153,841</u>	<u>\$ 140,354</u>	<u>\$ (13,487)</u>
EXPENDITURES				
Library - book collections	\$ 59,988	\$ 59,988	\$ 16,270	\$ 43,718
Neighborhood services				
Animal services	25,310	25,310	21,899	3,411
Keep nrh beautiful	14,999	14,999	11,994	3,005
Municipal court - teen court	3,000	3,000	2,500	500
Parks special events and arts	36,000	26,000	2,498	23,502
Police department	12,000	12,000	9,668	2,332
Total expenditures	<u>\$ 151,297</u>	<u>\$ 141,297</u>	<u>\$ 64,829</u>	<u>\$ 76,468</u>
Net Increase	<u>\$ 48,904</u>	<u>\$ 12,544</u>	<u>\$ 75,525</u>	<u>\$ 62,981</u>

CITY OF NORTH RICHLAND HILLS, TEXAS
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual
SPECIAL INVESTIGATIONS FUND
Year Ended September 30, 2013

	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Forfeited funds	\$ 136,000	\$ 275,996	\$ 323,285	47,289
AFIS reimbursements	13,500	12,920	12,920	-
911 telecom	120,000	62,000	118,903	56,903
Interest income	2,323	2,323	790	(1,533)
Other income	18,604	18,604	-	(18,604)
Appropriations of fund balance	260,477	252,285	252,285	-
Total revenues	<u>\$ 550,904</u>	<u>\$ 624,128</u>	<u>\$ 708,184</u>	<u>\$ 84,056</u>
EXPENDITURES				
Federal forfeited funds	\$ 234,500	\$ 302,342	\$ 145,012	\$ 157,330
State forfeited funds	63,300	63,300	31,111	32,189
Local forfeited funds	1,000	6,382	6,382	0
AFIS maintenance & equipment	113,500	113,500	12,532	100,968
911 telecom	120,000	120,000	118,903	1,097
LEOSE contributions	18,604	18,604	1,184	17,420
Total expenditures	<u>\$ 550,904</u>	<u>\$ 624,128</u>	<u>\$ 315,123</u>	<u>\$ 309,005</u>
Net Increase	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 393,060</u>	<u>\$ 393,060</u>

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

CITY OF NORTH RICHLAND HILLS, TEXAS
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual
DRAINAGE UTILITY FUND
Year Ended September 30, 2013

	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Drainage fees	\$ 849,000	\$ 849,000	\$ 852,856	3,856
Interest income	6,066	6,066	1,614	(4,452)
Total revenues	<u>\$ 855,066</u>	<u>\$ 855,066</u>	<u>\$ 854,470</u>	<u>\$ (596)</u>
EXPENDITURES				
Debt service (transfers out)	\$ 774,221	\$ 774,221	\$ 774,221	\$ -
Other expenditures	24,500	24,500	1,947	22,553
Total expenditures	<u>\$ 798,721</u>	<u>\$ 798,721</u>	<u>\$ 776,168</u>	<u>\$ 22,553</u>
Net Increase	<u>\$ 56,345</u>	<u>\$ 56,345</u>	<u>\$ 78,302</u>	<u>\$ 21,957</u>

CITY OF NORTH RICHLAND HILLS, TEXAS
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual
CRIME CONTROL DISTRICT
Year Ended September 30, 2013

	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Sales tax	\$ 4,305,000	\$ 4,391,100	\$ 4,329,737	(61,363)
Franchise tax	90,500	71,537	71,037	(500)
Interest income	-	1,777	2,334	557
Previous year encumbrances	-	15,000	15,000	-
Total revenues	<u>\$ 4,395,500</u>	<u>\$ 4,479,414</u>	<u>\$ 4,418,108</u>	<u>\$ (61,306)</u>
EXPENDITURES				
Operating				
Administrative services	580,389	592,010	513,320	78,690
Investigations	446,225	444,913	436,689	8,224
Uniform patroll	2,539,899	2,569,661	2,570,542	(881)
Technical services	485,724	510,613	506,183	4,430
Propery Evidence	101,825	109,626	106,703	2,923
Sub-total operating	<u>\$ 4,154,062</u>	<u>\$ 4,226,823</u>	<u>\$ 4,133,437</u>	<u>\$ 93,386</u>
Other & Reserves				
Partner agency funding	\$ 51,505	\$ 38,535	\$ 38,249	\$ 286
Other	110,787	65,996	62,121	3,875
Investigations	79,146	148,060	184,301	(36,241)
Total other & reserves	<u>\$ 241,438</u>	<u>\$ 252,591</u>	<u>\$ 284,671</u>	<u>\$ (32,080)</u>
Total expenditures	<u>\$ 4,395,500</u>	<u>\$ 4,479,414</u>	<u>\$ 4,418,108</u>	<u>\$ 61,306</u>
Net Increase (Decrease)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF NORTH RICHLAND HILLS, TEXAS
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual
GAS DEVELOPMENT FUND
Year Ended September 30, 2013

	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Royalties/overrides				
General fund purposes	\$ 50,000	\$ 772,000	\$ 920,757	148,757
Park development purposes	70,000	-	-	-
Economic Development Purposes	20,000	-	-	-
Sub-total royalties / overrides	<u>\$ 140,000</u>	<u>\$ 772,000</u>	<u>\$ 920,757</u>	<u>\$ 148,757</u>
Other				
Right of way usage fees	\$ -	\$ 2,160	\$ 2,160	-
Interest income	\$ 20,433	\$ 20,433	\$ -	(20,433)
Sub-total other	<u>\$ 20,433</u>	<u>\$ 22,593</u>	<u>\$ 2,160</u>	<u>\$ (20,433)</u>
Appropriation of reserves				
General fund purposes	\$ 439,843	\$ 439,843	\$ 439,843	-
Sub-total appropriation of reserves	<u>\$ 439,843</u>	<u>\$ 439,843</u>	<u>\$ 439,843</u>	<u>\$ -</u>
Total revenues	<u>\$ 600,276</u>	<u>\$ 1,234,436</u>	<u>\$ 1,362,760</u>	<u>\$ 128,324</u>
EXPENDITURES				
Operating				
Transfer to debt service	\$ -	\$ 439,843	\$ 439,843	\$ -
Transfer to capital projects	439,843	-	61,000	(61,000)
Total expenditures	<u>\$ 439,843</u>	<u>\$ 439,843</u>	<u>\$ 500,843</u>	<u>\$ (61,000)</u>
Net Increase	<u>\$ 160,433</u>	<u>\$ 794,593</u>	<u>\$ 861,917</u>	<u>\$ 67,324</u>

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

CITY OF NORTH RICHLAND HILLS, TEXAS
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual
TRAFFIC SAFETY FUND
Year Ended September 30, 2013

	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Gross fine revenue	\$ 872,000	\$ 872,000	\$ 923,282	\$ 51,282
Less: Allowable Expenditures				
Contractor payments	600,000	600,000	571,358	28,642
Program administration	157,889	157,889	153,879	4,010
Total expenditures	757,889	757,889	725,237	32,652
Net Fines Revenue	114,111	114,111	198,045	83,934
Less: State Share	57,056	57,056	94,461	(37,405)
Net Fine Revenues to City	\$ 57,055	\$ 57,055	\$ 103,584	\$ 46,529
Additional revenues				
Interest income	2,439	2,439	3,491	1,052
Appropriations of fund balance	26,904	26,904	26,904	-
Sub-total	29,343	29,343	30,395	1,052
Total revenues, net	86,398	86,398	133,979	47,581
EXPENDITURES				
Traffic enforcement	72,900	12,900	-	12,900
Pedestrian safety	13,498	13,498	14,611	(1,113)
Transfer to fleet services	-	60,000	60,000	-
Total expenditures	86,398	86,398	74,611	11,787
Net increase	\$ -	\$ -	\$ 59,368	\$ 59,368

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

INTERNAL SERVICE FUNDS

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

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

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

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

CITY OF NORTH RICHLAND HILLS, TEXAS

Combining Statement of Net Position

INTERNAL SERVICE

September 30, 2013

	Facilities and Construction	Fleet Services	Self Insurance	Information Services	Total Internal Service
ASSETS					
Current					
Cash and cash equivalents	\$ 459,401	\$ -	\$ 41,324	\$ 499,278	\$ 1,000,003
Investments	1,375,738	2,059,454	1,265,003	1,627,399	6,327,594
Accounts receivable, net of allowance:					
Other	257	340	46	16,155	16,798
Interest receivable	6,521	5,166	9,733	2,960	24,380
Prepaid items	64	-	225,165	201,503	426,732
Inventories, at cost	23,737	89,863	-	-	113,600
Total current assets	<u>1,865,718</u>	<u>2,154,823</u>	<u>1,541,271</u>	<u>2,347,295</u>	<u>7,909,107</u>
Noncurrent					
Restricted assets:					
Cash and cash equivalents	3,380	95,006	2,267,037	47,067	2,412,490
Investments	-	-	4,000,000	-	4,000,000
Total restricted cash, cash equivalents, and Investments	<u>3,380</u>	<u>95,006</u>	<u>6,267,037</u>	<u>47,067</u>	<u>6,412,490</u>
Capital assets, at cost:					
Building and improvements	135,455	-	-	-	135,455
Other improvements	-	-	-	602,769	602,769
Machinery and equipment	417,313	5,301,859	17,312	2,557,392	8,293,876
Construction in progress	-	67,993	-	-	67,993
Accumulated depreciation	(269,082)	(3,803,663)	(17,312)	(1,673,205)	(5,763,262)
Net capital assets	<u>283,686</u>	<u>1,566,189</u>	<u>-</u>	<u>1,486,956</u>	<u>3,336,831</u>
Total noncurrent assets	<u>287,066</u>	<u>1,661,195</u>	<u>6,267,037</u>	<u>1,534,023</u>	<u>9,749,321</u>
Total assets	<u>2,152,784</u>	<u>3,816,018</u>	<u>7,808,308</u>	<u>3,881,318</u>	<u>17,658,428</u>
LIABILITIES					
Current					
Accounts payable and accrued expenses	291,600	44,351	1,084,156	76,887	1,496,994
Other current liabilities	277	40	25,176	-	25,493
Compensated absences	4,698	5,179	2,283	5,513	17,673
Unearned revenue	-	-	-	2,314	2,314
Total current liabilities	<u>296,575</u>	<u>49,570</u>	<u>1,111,615</u>	<u>84,714</u>	<u>1,542,474</u>
Noncurrent					
Compensated absences	53,968	87,961	32,696	57,892	232,517
Other post employment benefits obligation	147,365	172,141	88,035	172,188	579,729
Net pension obligation	79,029	91,891	50,573	92,272	313,765
Total noncurrent liabilities	<u>280,362</u>	<u>351,993</u>	<u>171,304</u>	<u>322,352</u>	<u>1,126,011</u>
Total liabilities	<u>576,937</u>	<u>401,563</u>	<u>1,282,919</u>	<u>407,066</u>	<u>2,668,485</u>
NET POSITION					
Net investment in capital assets	283,686	1,566,189	-	1,486,956	3,336,831
Unrestricted	1,292,161	1,848,266	6,525,389	1,987,296	11,653,112
Total net position	<u>\$ 1,575,847</u>	<u>\$ 3,414,455</u>	<u>\$ 6,525,389</u>	<u>\$ 3,474,252</u>	<u>\$ 14,989,943</u>

CITY OF NORTH RICHLAND HILLS, TEXAS
Combining Statement of Expense, Revenues, and Changes in Net Position
INTERNAL SERVICE
Year Ended September 30, 2013

	Facilities and Construction	Fleet Services	Self Insurance	Information Systems	Total Internal Service
OPERATING REVENUES					
Other intergovernmental	\$ -	\$ -	\$ -	\$ 14,902	\$ 14,902
Internal service revenues					
Risk management	-	-	9,786,119	-	9,786,119
Facilities and fleet management	2,544,394	3,044,518	-	-	5,588,912
Information systems management	-	-	-	2,516,696	2,516,696
Miscellaneous revenues	96,072	38,183	-	141,572	275,827
Total operating revenues	<u>2,640,466</u>	<u>3,082,701</u>	<u>9,786,119</u>	<u>2,673,170</u>	<u>18,182,456</u>
OPERATING EXPENSES					
Claims	-	-	7,992,402	-	7,992,402
Contractual services	882,196	85,603	440,259	285,435	1,693,493
Personnel services	998,603	1,021,832	570,845	1,107,331	3,698,611
Repairs and maintenance	551,758	216,335	3,322	910,089	1,681,504
Supplies	58,808	1,005,417	4,197	294,685	1,363,107
Depreciation	47,650	429,967	-	389,384	867,001
Total operating expenses	<u>2,539,015</u>	<u>2,759,154</u>	<u>9,011,025</u>	<u>2,986,924</u>	<u>17,296,118</u>
Operating income (loss)	<u>101,451</u>	<u>323,547</u>	<u>775,094</u>	<u>(313,754)</u>	<u>886,338</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	23,403	5,494	-	-	28,897
Other income	-	-	104,909	-	104,909
Gain (loss) on disposal of assets	(59,297)	11,528	-	(90,072)	(137,841)
Total nonoperating revenues (expenses)	<u>(35,894)</u>	<u>17,022</u>	<u>104,909</u>	<u>(90,072)</u>	<u>(4,035)</u>
Income (loss) before transfers	<u>65,557</u>	<u>340,569</u>	<u>880,003</u>	<u>(403,826)</u>	<u>882,303</u>
TRANSFERS					
Transfers in	-	126,507	-	244,883	371,390
Transfers out	(20,752)	(370,331)	-	-	(391,083)
Total transfers - net	<u>(20,752)</u>	<u>(243,824)</u>	<u>-</u>	<u>244,883</u>	<u>(19,693)</u>
Change in net position	44,805	96,745	880,003	(158,943)	862,610
Net position - beginning of year	1,531,042	3,317,710	5,645,386	3,633,195	14,127,333
Net position - end of year	<u>\$ 1,575,847</u>	<u>\$ 3,414,455</u>	<u>\$ 6,525,389</u>	<u>\$ 3,474,252</u>	<u>\$ 14,989,943</u>

CITY OF NORTH RICHLAND HILLS, TEXAS

Combining Statement of Cash Flows

INTERNAL SERVICE FUNDS

Year Ended September 30, 2013

	Facilities and Construction Services	Fleet Services	Self Insurance	Information Services	Totals
Cash flows from operating activities:					
Receipts from interfund services provided	\$ 2,544,394	\$ 3,044,518	\$ 9,786,119	\$ 2,516,696	\$ 17,891,727
Other operating revenue (expense)	95,824	37,843	(32)	156,185	289,820
Payments to suppliers	(1,422,471)	(1,287,879)	(8,519,143)	(1,537,399)	(12,766,892)
Payments to employees	(964,780)	(995,162)	(562,360)	(1,074,113)	(3,596,415)
Net cash provided by operating activities	<u>252,967</u>	<u>799,320</u>	<u>704,584</u>	<u>61,369</u>	<u>1,818,240</u>
Cash flows from noncapital financing activities:					
Transfers from other funds	-	126,507	-	244,883	371,390
Transfers to other funds	(20,752)	(370,331)	-	-	(391,083)
Net cash provided by (used for) noncapital and related financing activities	<u>(20,752)</u>	<u>(243,824)</u>	<u>-</u>	<u>244,883</u>	<u>(19,693)</u>
Cash flows from capital and related financing activities:					
Insurance recovery proceeds	-	-	104,909	-	104,909
Acquisition and construction of capital assets	(5,871)	(682,243)	-	(55,460)	(743,574)
Proceeds from sale of capital assets	-	11,528	-	-	11,528
Net cash provided by (used for) capital and related financing activities	<u>(5,871)</u>	<u>(670,715)</u>	<u>104,909</u>	<u>(55,460)</u>	<u>(627,137)</u>
Cash flows from investing activities:					
Purchase of Investments	(1,367,784)	(1,820,841)	(5,058,860)	(1,564,651)	(9,812,136)
Proceeds from the sale of investments	812,633	1,719,187	3,932,094	1,300,405	7,764,319
Interest and dividends received	19,806	8,156	6,120	2,320	36,402
Net cash provided by investing activities	<u>(535,345)</u>	<u>(93,498)</u>	<u>(1,120,646)</u>	<u>(261,926)</u>	<u>(2,011,415)</u>
Net increase (decrease) in cash and cash equivalents	<u>(309,001)</u>	<u>(208,717)</u>	<u>(311,153)</u>	<u>(11,134)</u>	<u>(840,005)</u>
Cash and cash equivalents beginning of year	771,782	303,723	2,619,514	557,479	4,252,498
Cash and cash equivalents end of year	<u>\$ 462,781</u>	<u>\$ 95,006</u>	<u>\$ 2,308,361</u>	<u>\$ 546,345</u>	<u>\$ 3,412,493</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 101,451	\$ 323,547	\$ 775,094	\$ (313,754)	\$ 886,338
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation expense	47,650	429,967	-	389,384	867,001
Other expense	-	-	474	5,513	5,987
(Increase) decrease in accounts receivable	(248)	(340)	(32)	(2,603)	(3,223)
(Increase) decrease in inventories	3,832	22,864	-	-	26,696
(Increase) decrease in prepaid items	-	-	(87,709)	(45,459)	(133,168)
Increase (decrease) in compensating absences	484	(9,178)	(9,528)	(7,963)	(26,185)
Increase (decrease) in other post employment benefits	34,630	39,224	18,729	42,227	134,810
Increase (decrease) in net pension obligation	(2,986)	(5,122)	(2,403)	(3,945)	(14,456)
Increase (decrease) in unearned revenues	-	-	-	2,314	2,314
Increase (decrease) in accounts payable	66,459	(3,388)	8,272	(7,244)	64,099
Increase (decrease) in accrued liabilities	1,695	1,746	1,687	2,899	8,027
Total adjustments	<u>151,516</u>	<u>475,773</u>	<u>(70,510)</u>	<u>375,123</u>	<u>931,902</u>
Net cash provided by (used for) operating activities	<u>\$ 252,967</u>	<u>\$ 799,320</u>	<u>\$ 704,584</u>	<u>\$ 61,369</u>	<u>\$ 1,818,240</u>
Noncash financing activities:					
Disposal of capital assets	\$ (77,541)	\$ (376,443)	\$ -	\$ (372,171)	\$ (826,155)

Statistical Section

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

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

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current level of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

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Table 1

CITY OF NORTH RICHLAND HILLS, TEXAS
Net Position by Component

(unaudited)

	2013	2012	2011	2010	Fiscal Year		2008	2007	2006	2005	2004
Governmental Activities											
Net investment in capital assets	\$ 205,397,867	\$ 205,162,006	\$ 178,349,544	\$ 164,973,337	\$ 142,066,447	\$ 129,533,935	\$ 128,290,273	\$ 127,692,821	\$ 127,692,821	\$ 70,181,539	\$ 63,351,827
Restricted	4,634,803	4,253,430	3,368,190	3,715,127	4,683,345	3,984,364	3,270,409	2,973,821	2,973,821	2,759,099	2,954,135
Unrestricted	26,228,262	23,572,411	37,099,102	35,253,260	52,082,125	54,146,336	44,787,548	36,986,785	36,986,785	27,839,936	27,644,041
Total net position	<u>236,260,932</u>	<u>232,987,847</u>	<u>218,816,836</u>	<u>203,941,724</u>	<u>198,841,917</u>	<u>187,664,635</u>	<u>176,348,230</u>	<u>167,653,427</u>	<u>167,653,427</u>	<u>100,780,574</u>	<u>93,950,003</u>
Business-type Activities											
Net investment in capital assets	62,044,064	62,615,382	65,810,811	61,160,189	62,354,993	60,828,610	65,485,796	62,776,005	62,776,005	63,610,252	65,122,142
Restricted	3,762,460	2,710,553	2,600,187	2,610,287	3,018,779	2,709,713	2,937,027	2,712,360	2,712,360	2,267,668	1,241,081
Unrestricted	20,753,387	22,957,383	21,455,781	21,724,799	25,309,106	29,018,350	24,779,076	27,457,208	27,457,208	22,623,841	20,443,728
Total net position	<u>86,559,911</u>	<u>88,283,318</u>	<u>89,866,779</u>	<u>85,495,275</u>	<u>90,682,878</u>	<u>92,556,673</u>	<u>93,201,899</u>	<u>92,945,573</u>	<u>92,945,573</u>	<u>88,501,761</u>	<u>86,806,951</u>
Primary Government											
Net investment in capital assets	267,441,931	267,777,388	244,160,355	226,134,526	204,421,440	190,362,545	193,776,069	190,468,826	190,468,826	133,791,791	128,473,969
Restricted	8,397,263	6,963,983	5,968,377	6,325,414	7,712,124	6,694,077	6,207,436	5,686,181	5,686,181	5,026,767	4,195,216
Unrestricted	46,981,649	46,529,794	58,554,883	56,978,925	77,391,231	83,164,686	69,566,624	64,443,993	64,443,993	50,463,777	48,087,769
Total net position	<u>\$ 322,820,843</u>	<u>\$ 321,271,165</u>	<u>\$ 308,683,615</u>	<u>\$ 289,438,865</u>	<u>\$ 289,524,795</u>	<u>\$ 280,221,309</u>	<u>\$ 269,550,129</u>	<u>\$ 260,599,000</u>	<u>\$ 260,599,000</u>	<u>\$ 189,282,335</u>	<u>\$ 180,756,954</u>

Note: 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 Position

(unaudited)

	Fiscal Year				
	2013	2012	2011	2010	2009
Expenses					
Governmental activities:					
General government	\$ 10,656,322	\$ 10,399,845	\$ 9,886,731	\$ 14,653,747	\$ 16,355,871
Public safety	30,611,650	28,881,714	28,512,136	26,172,292	27,772,668
Culture and recreation	11,633,882	11,679,786	9,352,354	9,468,346	10,718,579
Public works	8,398,711	7,794,339	7,679,001	8,388,531	2,126,721
Interest and other fees	3,673,780	3,453,283	2,108,277	1,761,128	2,269,541
Total governmental activities	<u>64,974,345</u>	<u>62,208,967</u>	<u>57,538,499</u>	<u>60,444,044</u>	<u>59,243,380</u>
Business-type activities:					
Utility	27,623,220	26,642,141	27,981,025	27,313,424	25,121,565
Aquatic park	4,749,688	4,753,949	4,507,561	4,188,892	4,105,695
Golf course	2,566,632	2,429,973	2,227,315	2,236,113	2,217,868
Interest and other fees	-	-	-	-	-
Total business-type activities	<u>34,939,540</u>	<u>33,826,063</u>	<u>34,715,901</u>	<u>33,738,429</u>	<u>31,445,128</u>
Total primary government	<u>99,913,885</u>	<u>96,035,030</u>	<u>92,254,400</u>	<u>94,182,473</u>	<u>90,688,508</u>
Program Revenues					
Governmental activities:					
Charges for services					
General government	5,497,050	5,490,245	5,466,876	8,619,557	4,547,658
Public safety	4,204,508	3,426,008	2,668,111	2,918,356	4,922,180
Culture and recreation	3,001,249	2,381,024	858,241	909,267	1,446,132
Public works	937,102	932,819	857,809	839,309	1,896,764
Operating grants and contributions	2,545,158	1,833,138	879,524	964,914	1,142,243
Capital grants and contributions	2,909,032	7,401,996	17,644,326	6,806,586	11,341,668
Total governmental activities	<u>19,094,099</u>	<u>21,465,230</u>	<u>28,374,887</u>	<u>21,057,989</u>	<u>25,296,645</u>
Business-type activities:					
Charges for services					
Utility	30,160,950	28,445,746	28,921,168	24,324,685	25,060,898
Aquatic park	4,377,388	4,548,828	4,587,899	4,090,087	3,858,389
Golf course	2,371,010	2,443,865	2,324,118	2,264,256	2,509,577
Operating grants and contributions	138,831	80,660	-	-	-
Capital grants and contributions	7,291	50,744	4,643,096	271,624	-
Total business-type activities	<u>37,055,470</u>	<u>35,569,843</u>	<u>40,476,281</u>	<u>30,950,652</u>	<u>31,428,864</u>
Total primary government	<u>56,149,569</u>	<u>57,035,073</u>	<u>68,851,168</u>	<u>52,008,641</u>	<u>56,725,509</u>
Net (Expense) Revenue					
Governmental activities	(45,880,246)	(40,743,737)	(29,163,612)	(39,386,055)	(33,946,735)
Business-type activities	2,115,930	1,743,780	5,760,380	(2,787,777)	(16,264)
Total primary government	<u>\$ (43,764,316)</u>	<u>\$ (38,999,957)</u>	<u>\$ (23,403,232)</u>	<u>\$ (42,173,832)</u>	<u>\$ (33,962,999)</u>

Table 2

2008	2007	2006	2005	2004
\$ 9,379,422	\$ 8,461,142	\$ 9,269,861	\$ 8,288,137	\$ 9,755,719
25,791,827	23,265,259	22,022,696	20,693,721	20,460,665
7,973,359	7,327,532	7,611,710	7,355,182	7,436,113
5,748,315	7,799,706	8,169,282	7,597,475	6,755,207
2,302,096	2,561,837	2,546,791	2,860,149	3,157,963
<u>51,195,019</u>	<u>49,415,476</u>	<u>49,620,340</u>	<u>46,794,664</u>	<u>47,565,667</u>
27,329,181	23,154,259	22,929,665	21,492,504	20,707,959
3,774,757	3,433,492	3,343,073	3,251,524	3,178,835
2,302,670	2,247,272	2,239,404	2,254,198	2,257,534
433,588	-	-	-	-
<u>33,840,196</u>	<u>28,835,023</u>	<u>28,512,142</u>	<u>26,998,226</u>	<u>26,144,328</u>
<u>85,035,215</u>	<u>78,250,499</u>	<u>78,132,482</u>	<u>73,792,890</u>	<u>73,709,995</u>
9,333,482	6,505,029	6,881,843	5,672,569	5,548,912
2,995,693	1,718,460	1,314,329	1,154,807	1,031,326
2,517,122	1,124,777	1,212,343	1,214,590	1,091,618
2,355,161	1,179,302	174,166	61,063	100,192
353,816	1,028,853	1,153,543	1,539,736	612,519
304,514	410,297	2,910,568	4,367,529	6,404,966
<u>17,859,788</u>	<u>11,966,718</u>	<u>13,646,792</u>	<u>14,010,294</u>	<u>14,789,533</u>
26,349,559	21,630,336	25,858,511	22,237,742	20,861,262
3,943,288	3,916,691	3,894,274	3,421,301	2,831,743
2,571,409	2,298,065	1,775,963	2,287,494	2,154,714
-	-	66,466	46,847	344,296
-	599,983	1,288,734	1,603,834	2,128,214
<u>32,864,256</u>	<u>28,445,075</u>	<u>32,883,948</u>	<u>29,597,218</u>	<u>28,320,229</u>
<u>50,724,044</u>	<u>40,411,793</u>	<u>46,530,740</u>	<u>43,607,512</u>	<u>43,109,762</u>
(33,335,231)	(37,448,758)	(35,973,548)	(32,784,370)	(32,776,134)
(975,940)	(389,948)	4,371,806	2,598,992	2,175,901
<u>\$ (34,311,171)</u>	<u>\$ (37,838,706)</u>	<u>\$ (31,601,742)</u>	<u>\$ (30,185,378)</u>	<u>\$ (30,600,233)</u>

continued

CITY OF NORTH RICHLAND HILLS, TEXAS

Table 2

Changes in Net Position

(unaudited)

Fiscal Year

	2013	2012	2011	2010	2009
General Revenues and Other					
Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	\$ 24,126,068	\$ 22,222,620	\$ 19,339,750	\$ 19,909,976	\$ 20,605,670
Sales taxes	17,359,807	16,974,086	16,645,412	16,428,281	16,058,728
Mixed beverage taxes	117,223	101,724	128,007	118,253	117,757
Franchise taxes	4,166,579	4,269,229	4,329,500	3,956,663	3,802,559
Occupancy taxes	221,003	210,324	238,410	240,387	152,220
Unrestricted investment earnings	258,705	300,928	495,386	588,866	1,611,632
Special items	-	-	-	-	-
Miscellaneous	205,445	288,093	1,271,555	553,412	188,512
Transfers	3,674,512	3,384,630	1,590,704	2,690,024	2,586,937
Total governmental activities	<u>50,129,342</u>	<u>47,751,634</u>	<u>44,038,724</u>	<u>44,485,862</u>	<u>45,124,015</u>
Business-type activities:					
Unrestricted investment earnings	80,950	50,479	171,125	236,674	740,393
Miscellaneous	5,380	6,909	30,703	53,524	(10,986)
Transfers	(3,674,512)	(3,384,630)	(1,590,704)	(2,690,024)	(2,586,937)
Total business-type activities	<u>(3,588,182)</u>	<u>(3,327,242)</u>	<u>(1,388,876)</u>	<u>(2,399,826)</u>	<u>(1,857,530)</u>
Total primary government	<u>46,541,160</u>	<u>44,424,392</u>	<u>42,649,848</u>	<u>42,086,036</u>	<u>43,266,485</u>
Changes in Net Position					
Governmental activities	4,249,096	7,007,897	14,875,112	5,099,807	11,177,280
Business-type activities	(1,472,252)	(1,583,462)	4,371,504	(5,187,603)	(1,873,794)
Total primary government	<u>\$ 2,776,844</u>	<u>\$ 5,424,435</u>	<u>\$ 19,246,616</u>	<u>\$ (87,796)</u>	<u>\$ 9,303,486</u>

Table 2

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 19,248,707	\$ 18,663,482	\$ 18,134,230	\$ 17,458,279	\$ 16,871,892
17,445,806	16,865,282	15,934,374	15,230,354	16,477,474
161,783	129,860	123,355	115,143	107,164
4,604,523	4,450,441	3,855,169	3,541,130	3,592,682
260,319	284,099	199,850	191,848	172,197
2,245,479	2,757,208	2,047,583	1,088,547	652,153
196,320	1,499,140	-	-	(1,585,000)
477,026	651,376	2,341,327	688,555	602,568
569,227	712,782	873,867	1,301,085	1,104,810
<u>45,209,190</u>	<u>46,013,670</u>	<u>43,509,755</u>	<u>39,614,941</u>	<u>37,995,940</u>
878,795	1,330,781	945,873	396,903	225,123
8,962	-	-	-	-
<u>(557,044)</u>	<u>(712,782)</u>	<u>(873,867)</u>	<u>(1,301,085)</u>	<u>(1,104,810)</u>
<u>330,713</u>	<u>617,999</u>	<u>72,006</u>	<u>(904,182)</u>	<u>(879,687)</u>
<u>45,539,903</u>	<u>46,631,669</u>	<u>43,581,761</u>	<u>38,710,759</u>	<u>37,116,253</u>
11,873,959	8,564,912	7,536,207	6,830,571	5,219,806
<u>(645,227)</u>	<u>228,051</u>	<u>4,443,812</u>	<u>1,694,810</u>	<u>1,296,214</u>
<u>\$ 11,228,732</u>	<u>\$ 8,792,963</u>	<u>\$ 11,980,019</u>	<u>\$ 8,525,381</u>	<u>\$ 6,516,020</u>



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CITY OF NORTH RICHLAND HILLS, TEXAS

Table 3

Fund Balances - Governmental Funds
(unaudited)

	<u>Fiscal Year 2013</u>	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2011</u>
General Fund			
Nonspendables	\$ 669,275	\$ 707,569	\$ 926,707
Restricted	1,123,587	868,715	653,526
Committed	0	0	0
Assigned	3,963,333	3,759,566	1,848,329
Unassigned	<u>9,186,072</u>	<u>8,992,908</u>	<u>9,838,310</u>
Total General Fund	<u>\$ 14,942,267</u>	<u>\$ 14,328,758</u>	<u>\$ 13,266,872</u>
All Other Governmental Funds			
Nonspendables	\$ 27,002	\$ 47,202	\$ 30,308
Restricted	63,631,314	60,696,117	30,997,610
Committed	4,161,319	3,622,301	6,221,018
Assigned	17,280,746	16,333,423	6,480,459
Unassigned	<u>0</u>	<u>0</u>	<u>0</u>
Total all other governmental funds	<u>\$ 85,100,381</u>	<u>\$ 80,699,043</u>	<u>\$ 43,729,395</u>
Total all governmental funds	<u>\$ 100,042,648</u>	<u>\$ 95,027,801</u>	<u>\$ 56,996,267</u>

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

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

Table 4

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>Fiscal 2009</u>
Revenues					
Taxes	\$ 45,990,682	\$ 43,777,983	\$ 40,681,079	\$ 40,842,538	\$ 40,736,934
Licenses and permits	1,764,004	1,543,875	1,375,742	1,148,594	988,020
Charges for services	6,800,050	6,715,031	6,076,625	7,588,891	6,562,241
Fines	2,424,064	2,421,696	2,665,135	2,631,813	2,677,901
Civil Citations	923,282	778,393	674,745	726,274	999,584
Contributions	140,385	176,740	187,813	192,501	160,194
Special assessments	10,116	200	8,748	-	276,475
Investment income	177,178	415,326	383,453	538,193	1,250,127
Intergovernmental	4,467,635	5,732,323	9,070,672	3,188,918	2,477,191
Forfeitures	323,285	138,604	183,295	232,054	146,830
Miscellaneous	1,318,985	1,363,579	445,214	1,876,282	517,492
Total revenues	<u>64,339,666</u>	<u>63,063,750</u>	<u>61,752,521</u>	<u>58,966,058</u>	<u>56,792,989</u>
Expenditures					
General government	10,673,511	10,829,793	10,311,297	10,435,250	9,459,393
Public safety	28,317,163	26,959,990	25,934,692	24,697,961	25,262,159
Culture and recreation	9,290,204	9,163,107	7,453,931	7,344,261	8,545,815
Public works	3,563,149	3,601,659	2,416,186	2,518,081	2,478,800
Capital outlay	10,208,747	15,945,071	15,475,441	14,301,095	10,506,569
Debt service					
Principal	8,523,434	8,846,947	8,187,696	7,115,319	5,699,394
Interest	3,659,348	3,092,172	2,194,444	2,161,325	2,048,696
Total expenditures	<u>74,235,556</u>	<u>78,438,739</u>	<u>71,973,687</u>	<u>68,573,292</u>	<u>64,000,826</u>
Excess of revenues over (under) expenditures	<u>(9,895,890)</u>	<u>(15,374,989)</u>	<u>(10,221,166)</u>	<u>(9,607,234)</u>	<u>(7,207,837)</u>
Other Financing Sources (Uses)					
Proceeds from borrowing	9,845,000	26,224,251	7,315,000	9,186,475	8,503,525
Premium on issuance of debt	300,486	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	799,045	3,145,280	806,479	34,678	188,512
Payment in lieu of taxes	-	-	-	-	-
Transfers in	7,782,662	8,705,604	5,659,688	8,158,092	9,274,945
Transfers out	(3,816,456)	(4,842,779)	(4,304,576)	(7,540,830)	(7,759,444)
Net component unit transfers	-	-	-	-	-
Total other financing sources (uses)	<u>14,910,737</u>	<u>33,668,832</u>	<u>9,834,861</u>	<u>9,880,490</u>	<u>10,207,780</u>
Net change in fund balances	<u>\$ 5,014,847</u>	<u>\$ 18,293,843</u>	<u>\$ (386,305)</u>	<u>\$ 273,256</u>	<u>\$ 2,999,943</u>
Debt service as a percentage of noncapital expenditures	23.5%	23.6%	22.5%	20.6%	16.9%

Table 4

Year	2008	2007	2006	2005	2004
\$	41,721,138	\$ 40,393,165	\$ 39,296,101	\$ 37,565,652	\$ 38,099,241
	1,705,703	1,526,636	2,251,292	1,473,542	1,421,831
	6,461,012	6,335,104	6,354,199	6,185,782	5,932,134
	2,394,920	2,064,187	2,130,968	1,787,547	1,775,899
	825,191	-	-	-	-
	196,320	170,326	177,273	178,937	176,962
	154,125	28,225	8,348	514	-
	1,678,921	2,258,877	1,719,493	922,870	569,532
	1,200,491	1,267,839	1,730,684	1,792,392	3,139,929
	142,874	74,448	86,752	70,117	47,068
	<u>6,634,802</u>	<u>939,241</u>	<u>1,431,192</u>	<u>1,070,874</u>	<u>460,770</u>
	<u>63,115,497</u>	<u>55,058,048</u>	<u>55,186,302</u>	<u>51,048,227</u>	<u>51,623,366</u>
	9,054,489	8,607,293	9,329,442	8,553,540	8,968,934
	26,051,508	23,414,877	22,049,690	21,289,538	20,618,988
	7,241,596	6,684,263	6,431,291	6,331,728	6,266,762
	2,663,001	2,522,751	2,468,819	2,536,838	2,278,247
	5,137,596	3,742,378	4,909,101	9,404,434	12,577,507
	6,188,393	6,697,217	6,462,905	6,695,455	6,278,005
	<u>2,225,585</u>	<u>2,281,930</u>	<u>2,349,160</u>	<u>2,665,828</u>	<u>2,770,875</u>
	<u>58,562,168</u>	<u>53,950,709</u>	<u>54,000,408</u>	<u>57,477,361</u>	<u>59,759,318</u>
	<u>4,553,329</u>	<u>1,107,339</u>	<u>1,185,894</u>	<u>(6,429,134)</u>	<u>(8,135,952)</u>
	4,465,000	2,185,000	3,625,000	-	4,935,000
	-	-	-	-	-
	-	5,085,000	8,245,000	-	3,815,000
	-	(5,075,787)	(8,100,166)	-	(3,694,386)
	-	282,000	-	-	-
	16,353	9,864	-	-	-
	355,004	-	-	-	-
	5,918,639	5,812,148	4,436,800	3,749,968	4,442,310
	(5,899,649)	(5,990,349)	(5,710,150)	(3,794,426)	(4,858,894)
	-	-	-	-	-
	<u>4,855,347</u>	<u>2,307,876</u>	<u>2,496,484</u>	<u>(44,458)</u>	<u>4,639,030</u>
\$	<u>9,408,676</u>	<u>\$ 3,415,215</u>	<u>\$ 3,682,378</u>	<u>\$ (6,473,592)</u>	<u>\$ (3,496,922)</u>
	18.7%	21.8%	21.9%	24.2%	23.7%

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)
2004	2,020,935,083	637,135,490	30,121,580	359,230,807
2005	2,125,365,452	660,915,079	25,319,238	371,683,707
2006	2,208,222,079	693,344,286	23,766,206	396,694,369
2007	2,322,672,063	706,800,208	24,219,035	432,473,733
2008	2,454,968,837	732,299,884	25,008,737	482,924,193
2009	2,527,941,808	723,655,894	24,685,405	603,634,230
2010	2,536,677,612	755,382,876	24,238,120	588,109,765
2011	2,599,141,890	719,345,087	23,749,165	837,360,868
2012	2,611,659,424	686,273,536	24,818,749	940,103,263
2013	2,655,417,917	720,473,286	24,346,385	923,522,505

Source: Tarrant Appraisal District Certified Tax Roll, July 25, City budget (2007-2013)

Tarrant Appraisal District September Report, City budget (2004-2006)

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

Table 5

Personal Property	Less: Tax-Exempt Property	Net Taxable Value	Total Direct Tax Rate
348,631,136	382,365,613	3,013,688,483	0.57000
347,217,730	397,233,578	3,133,267,628	0.57000
361,559,520	388,297,207	3,295,289,253	0.57000
342,337,515	421,361,355	3,407,141,199	0.57000
318,594,946	438,489,302	3,575,307,295	0.57000
331,545,812	451,978,018	3,759,485,131	0.57000
311,291,262	465,272,083	3,750,427,552	0.57000
302,449,010	879,728,308	3,602,317,712	0.57000
302,955,622	947,626,573	3,618,184,021	0.57000
312,039,668	903,068,001	3,732,731,760	0.61000

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		
	General fund (3)	Debt service fund (3)	Total (3)
2004	0.32956	0.24044	0.57000
2005	0.33173	0.23827	0.57000
2006	0.34432	0.22568	0.57000
2007	0.34695	0.22305	0.57000
2008	0.34241	0.22759	0.57000
2009	0.33875	0.23125	0.57000
2010	0.35412	0.21588	0.57000
2011	0.37022	0.19978	0.57000
2012	0.35642	0.21358	0.57000
2013	0.35108	0.25892	0.61000

Sources:

- (1) Tarrant County.
- (2) Birdville Independent School District from 2004-2005.
- (3) City records.
- (4) Began using Tarrant County as source in 2006.

Table 6

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



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

Table 7

Year Ended September 30, 2013

<u>Taxpayer</u>	<u>Type of business</u>	<u>2012 assessed valuation*</u>	<u>Percentage of total assessed valuation</u>
Wal-Mart	Retail	\$ 60,508,435	1.67%
Hospital Corporation of America	Healthcare Provider	42,733,217	1.18%
BGPC Equestrian	Real Estate	33,000,000	0.91%
Ap Wp N Richland Hills Reit	Multi Family	30,589,000	0.85%
Chesapeake Operating (Wi)	Gas Utility	27,732,850	0.77%
Oncor Electric Delivery Co.	Utility Service Provider	26,353,412	0.73%
Venue at Home Town LTD ETAL	Property Developer	25,348,600	0.70%
AP Wp Green Reit LLC	Multi Family	25,265,000	0.70%
Company One, LLC	Real Estate	25,250,000	0.70%
Tyson Prepared Foods Inc	Food Manufacturer	22,007,098	0.61%
		<u>\$ 318,787,612</u>	<u>8.81%</u>

Year Ended September 30, 2004

<u>Taxpayer</u>	<u>Type of business</u>	<u>2003 assessed valuation*</u>	<u>Percentage of total assessed valuation</u>
Walmart	Retail	\$ 62,195,784	2.06%
Home Depot, Inc.	Retail	40,856,019	1.36%
Kimberly-Clark/Tecnol, Inc.	Manufacturer	33,579,232	1.11%
Food Brands America, Inc.	Manufacturer	26,483,800	0.88%
Alliance Park Portfolio, LLC	Real Estate	25,094,693	0.83%
Five Star Ford/Pack Properties	Automotive Dealership	23,893,137	0.79%
ONCOR Electric Delivery	Utility Service Provider	23,801,993	0.79%
Meadows NRH Associates LP	Real Estate	23,428,746	0.78%
Mega Life & Health Ins. Co.	Insurance	21,103,399	0.70%
Bluffs Iron Horse Ltd.	Real Estate	20,406,380	0.68%
		<u>\$ 300,843,183</u>	<u>9.98%</u>

* Source: Tarrant Appraisal District.

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

Table 8

Fiscal Year	Total tax levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percent of levy	
2004	17,178,024	16,860,430	98.15%	\$ 291,484
2005	17,859,625	17,679,906	98.99%	\$ 154,573
2006	18,783,149	18,461,867	98.29%	\$ 297,383
2007	19,420,705	19,133,840	98.52%	\$ 261,455
2008	20,379,252	19,980,714	98.04%	\$ 368,444
2009	21,429,065	21,268,426	99.25%	\$ 119,685
2010	21,377,437	21,115,928	98.78%	\$ 210,577
2011	20,533,211	20,281,233	98.77%	\$ 197,086
2012	20,623,649	20,370,425	98.77%	\$ 180,839
2013	22,769,664	22,175,814	97.39%	\$ 376,149

Table 8

Total Collections to Date	
Amount	Percent of Levy
17,151,914	99.85%
17,834,479	99.86%
18,759,250	99.87%
19,395,295	99.87%
20,349,158	99.85%
21,388,111	99.81%
21,326,505	99.76%
20,478,319	99.73%
20,551,265	99.65%
22,551,962	99.04%

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				
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
2013	63,420	3,732,732	68,945	30,910	311	100,166	2.68%	1,579	210

Fiscal Year	Business-Type Activities				Total business-type activities	Total (3) primary government	Total bonded debt per capita (1)	Percentage of per capita income (1)
	Water & sewer revenue bonds	General obligation bonds	Certificates of obligation	Contractual obligations				
2004	-	4,258	5,364	-	104	9,726	1,214	4.13%
2005	-	3,598	5,018	-	40	8,656	1,070	3.58%
2006	-	4,255	4,589	-	-	8,844	1,010	3.30%
2007	-	3,537	4,866	-	-	8,403	929	2.94%
2008	-	2,790	6,865	-	-	9,655	898	2.87%
2009	-	2,350	11,254	-	-	13,604	995	3.31%
2010	-	1,890	11,285	-	-	13,175	1,015	3.40%
2011	-	1,405	12,610	-	-	14,015	1,064	3.37%
2012	-	2,210	16,415	-	-	18,625	1,856	5.95%
2013	-	1,760	15,300	-	-	17,060	1,852	5.77%

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, 2013

(unaudited)

<u>Jurisdiction</u>	<u>Net bonded debt outstanding</u>		<u>Percentage applicable to City of North Richland Hills (2)</u>	<u>Amount applicable to City of North Richland Hills</u>
City of North Richland Hills	\$ 95,108,790	(1)	100.00%	\$ 95,108,790
Birdville Independent School District	203,760,361		45.81%	93,342,621
Hurst-Eules-Bedford				
Independent School District	302,122,934		0.07%	211,486
Keller Independent School District	681,493,167		4.00%	27,259,727
Tarrant County	336,590,000		3.01%	10,131,359
Tarrant County Hospital District	26,285,000		3.01%	791,179
Tarrant County College District	22,705,000		3.01%	683,421
Total overlapping debt				<u>132,419,793</u>
Total direct and overlapping debt				<u>\$ 227,528,583</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, 2013

(unaudited)

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

As a home rule city, the City of 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 2013 was established at \$.61 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)
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	(1.21)
2013	4,343,358	5,729,298 (5)	(1,385,940) (4)	405,000	31,315	436,315	(3.18) (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 9/30/2013.

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

(5) Excludes capital outlay

CITY OF NORTH RICHLAND HILLS, TEXAS

Demographic Statistics
Last Ten Fiscal Years
(unaudited)

Table 13

Fiscal Year	Estimated population (2)	Median income (6)	Per capita income (6)	Median age (6)	Education level (4) (7)	School enrollment (1) (5)	Unemployment rate (3)
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 (8)	63,594	31,615	38	91%	11,615	7.3
2012	63,420	78,911	31,175	38.2	91%	10,843	6.3
2013	63,420	82,051	32,079	38.4	91%	10,883	5.5

Sources:

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

CITY OF NORTH RICHLAND HILLS, TEXAS

Table 14

Principal Employers
(unaudited)

Year Ended September 30, 2013

Employer	Employees³	Rank	Percentage of total City employment*
Santander Consumer USA, Inc.	1,577	1	4.44%
North Hills Hospital	785	2	2.21%
Birdville ISD ¹	766	3	2.16%
Wal-Mart Supercenters	752	4	2.12%
HealthMarkets	607	5	1.71%
City of North Richland Hills	534	6	1.50%
Tarrant County College - NE Campus ²	452	7	1.27%
Tyson Prepared Foods	425	8	1.20%
Con-Way Freight, Inc.	290	9	0.82%
Silverleaf Resorts	280	10	0.79%
	<u>6,468</u>		<u>18.22%</u>

Year Ended September 30, 2004

Employer	Employees	Rank	Percentage of total City employment*
UICI - The Insurance Center	1,295	1	5.47%
Birdville ISD	1,089	2	4.60%
North Hills Hospital	762	3	3.22%
Triad Financial Corporation	750	4	3.17%
Wal-Mart Supercenter	730	5	3.08%
City of North Richland Hills	570	6	2.41%
TCC - NE Campus ²	472	7	1.99%
Tyson Prepared Foods	450	8	1.90%
CTS Con-Way Transportation	282	9	1.19%
Five Star Ford	265	10	1.12%
	<u>6,665</u>		<u>28.15%</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									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General government										
Administration	4.70	4.70	4.70	3.70	4.75	5.25	5.25	5.25	5.25	5.25
Legal	-	-	-	-	-	-	-	-	-	-
Public information	4.00	4.00	4.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Judicial	15.00	15.00	15.00	15.50	15.50	16.50	14.00	14.00	14.00	14.00
Finance	22.00	23.00	23.00	23.00	23.50	23.50	23.50	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	10.30	8.30	8.30	9.30	11.30	11.30	12.30	11.30	11.30	11.50
Neighborhood services	18.75	18.75	18.75	18.75	19.75	18.75	18.75	18.66	18.66	18.66
Budget and research	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Public relations	3.75	3.75	3.75	6.75	6.75	6.75	7.19	7.19	7.19	7.19
Total general government	83.50	82.50	82.50	87.00	91.55	92.05	90.99	90.90	90.90	91.10
Public safety										
Police	187.88	186.88 (1)	165.20	164.22	165.22	164.65	159.65	159.65	159.39	161.39
Fire	91.00	90.00	88.00	91.00	91.00	91.00	92.00	92.00	92.00	87.00
Total public safety	278.88	276.88	253.20	255.22	256.22	255.65	251.65	251.65	251.39	248.39
Culture and recreation										
Parks and recreation	160.25 (2)	145.55	121.53	118.76	118.90	120.22	120.30	114.94	115.10	116.10
Library	27.11	27.11	28.58	28.16	28.16	28.16	23.33	23.33	23.33	23.33
Economic development	4.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Total culture and recreation	191.36	175.66	153.11	149.92	150.06	151.38	146.63	141.27	141.43	142.43
Public works	79.68	77.68	77.68	78.68	79.68	80.18	79.18	76.18	76.18	79.98
Internal services										
Building services	15.23	16.23	16.23	16.36	16.36	15.86	14.23	14.23	14.23	14.23
Equipment services	13.00	13.00	13.00	13.50	11.65	11.65	11.65	11.65	11.65	11.65
Self-insurance	5.10	5.10	5.10	5.10	6.00	6.00	6.00	6.00	6.00	6.00
Information services	12.00	11.00	11.00	11.00	12.00	12.00	12.00	12.00	12.00	12.00
Total internal services	45.33	45.33	45.33	45.96	46.01	45.51	43.88	43.88	43.88	43.88
Total full-time equivalents	678.75	658.05	611.82	616.78	623.52	624.77	612.33	603.88	603.78	605.78

Source: City operating budget
 (1) Consolidated services with Haltom City, City of Richland Hills and City of Watauga for Communication & Detention Centers
 (2) Increase due to new staff members for the Recreation Center

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

Table 16

	Fiscal Year			
	2013	2012	2011	2010
General government				
Planning and Inspections				
Construction				
Commercial units	25	91 (13)	24	47
Commercial value	\$ 15,498,935	\$ 7,533,480 (13)	\$ 3,489,824	\$ 4,578,000
Residential units	189	168	122	66
Residential value	\$ 46,472,244	\$ 42,138,527	\$ 27,218,868	\$ 14,289,559
Public safety				
Police				
Law violations (1)	3,215	3,463	3,574 (9)	4,071
Part one offenses	1,960	1,791	2,075 (9)	3,452
Traffic violations	22,215	22,155	20,733	24,747
Calls for service	114,269	115,644	137,243	137,645 (8)
Case clearance %	58%	26%	42%	40%
Fire				
Total responses	7,189	7,064	6,850	6,555
Fire responses	2,275	2,235	1,762	1,371
EMS responses	4,914	4,829	5,088	5,184
% responses < 5 minutes	58%	70%	51% (10)	73%
Total inspections	768 (14)	- (12)	2,005 (11)	2,169
Culture and recreation				
Parks and recreation				
Water park admissions	242,490	272,336	270,845	242,554
Golf rounds played	48,229	50,524	51,264	47,594
Library				
Number of volumes	204,302	206,840	200,982	196,042
Annual circulation	771,994	947,883	840,667	828,889
Annual loans per capita	12.17	14.95	13.26	12.48
Public works				
Water				
Avg daily consumption (3)	1,278,326	1,306,524	1,521,220	1,205,104
Peak daily consumption (3)	2,624,198	2,938,102	3,091,043	2,627,674
Streets				
Street overlay - miles	1	4	6	4
Concrete pavement repair - sq. ft.	6,488	5,322	9,372	16,163
Pothole repair - sq. ft.	2,152	4,577	3,974	6,786
Street cut - sq. ft.	86,160 (15)	176,844	162,577	193,400
Sign fabrication	973	852	935	953

Source: City records

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

Table 16

2009	2008	2007	2006	2005	2004
41	51	56	40	29	47
\$ 3,790,657	\$ 7,907,730	\$ 15,083,593	\$ 53,708,815	\$ 14,139,519	\$ 27,210,050
55	116	235	382	420	310
\$ 13,295,377	\$ 31,498,499	\$ 54,190,911	\$ 79,332,989	\$ 77,631,113	\$ 53,937,035
4,270	4,289	3,403	4,694	4,767	3,764
3,190	3,458	3,216	3,318	2,911	3,312
25,111	28,899	20,010	22,124	22,810	21,317
123,877	124,212	103,137	107,096 (4)	114,058	116,877
41%	41%	36%	37%	37%	37%
6,551	6,929	6,749	5,770	5,570	6,992
1,617	1,843	1,651	1,633	1,438	1,696
4,934	5,086	5,098	4,137	4,132	5,296
73%	72%	72%	73%	73%	72%
2,308	2,412	2,007	2,033	1,946	1,020
231,379	233,654	248,205	260,869	250,682	213,285
54,373	56,192	48,838	39,603 (2)	50,187	52,176
192,044	180,737	177,270	179,366	176,719	170,849
764,195	606,639 (6) (7)	660,627	697,013	696,954	723,206
11.56	9.23 (6)	10.31	10.97	11.30	11.97
1,213,697	1,317,622	1,178,439	1,397,254	1,264,837	1,131,712
2,751,337	2,963,770	2,449,372	2,701,738	2,787,834	2,400,668
5	2 (5)	8	9	11	8
12,655	4,404 (5)	14,694	9,485	5,474	1,779
4,303	5,499 (5)	10,480	8,738	12,969	15,282
162,446	121,809 (5)	156,141	179,703	151,706	231,462
1,119	1,455	2,040	1,795	1,556	2,389

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

Table 17

	Fiscal Year			
	2013	2012	2011	2010
Public safety				
Police				
Stations	1	1	1	1
Fire				
Stations	4	4	4	4
Fire hydrants	2,162	2,127	2,125	2,139
Culture and recreation				
Parks and recreation				
Parks	33	33	33 (6)	32
Park acreage	709	709	709 (6)	708
Playgrounds	20	20	20	20
Trails - miles	21	21	21 (7)	20
Golf Courses	1	1	1	1
Recreations centers	1	1	1	1
Athletic fields	53	53	53	53
Senior centers	1	1 (8)	2	2
Library				
Libraries	1	1	1	1
Public works				
Water mains - miles	355	351	346	356
Water connections	20,936	20,792	20,522	20,420
Wastewater lines - miles	292	290	288	288
Wastewater connections	19,603	19,469	19,240	19,141
Storm drain - miles	139	139	139	139
Streets - miles	238	238	238	237
Street lights	2,545	2,545	2,540	2,531

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 Bursey Road Senior Citizen Centers

Table 17

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
1	1	1	1	1	1
4	4	4	4	4	4
2,100 (4)	2,119	2,077	1,900	1,850	1,840
32	32	32	31	27	25
708 (3)	706	706 (1)	741	720	720
20	20	20	21	17	18
20	20	20	15	12	11
1	1	1	1	1	1
1	1	1	1	1	1
53	53	53 (1)	59	58	57
2	2	2	2	2	2
1	1	1	1	1	1
341 (4)	356	354	342	341	341
20,302	20,282	20,516	19,784	19,356	18,977
285 (4)	245	244	234	233	233
19,068 (5)	19,053	19,350	18,618	18,257	17,898
139	138	137	135	133	133
235	234	232	227	225	221
2,525	2,518	2,513	2,431 (2)	2,062	2,023



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