

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of North Richland Hills, Texas (the “City”) for the year ended September 30, 2019, and have issued our report thereon dated March 13, 2020. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated May 30, 2018, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity’s Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2019. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of capital asset depreciation is based on the useful lives of the assets. We evaluated the key factors and assumptions used to develop the depreciation estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the uncollectible accounts related to property taxes is based on historical collection rates. We evaluated the key factors and assumptions used to develop the uncollectible accounts related to property taxes estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability, pension-related deferred outflows and inflows of resources and pension expense is based on information provided by the Texas Municipal Retirement System of Texas (TMRS) and audited by the Texas State Auditor's Office. We evaluated the City's application of the information provided by TMRS, and we have determined it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net other post-employment benefit (OPEB) liability, OPEB-related deferred outflows and inflows of resources and OPEB expense is based on information provided by the City's actuary. We evaluated the City's application of the information provided by the actuary, and we have determined it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. The attached schedule summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached schedule lists the material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated March 13, 2020.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

This report is intended solely for the information and use of the Honorable Mayor and Members of City Council and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Fort Worth, Texas
March 13, 2020

Schedule of Material Misstatements Corrected by Management

Adjusting Journal Entries JE # 21			
PBC - To reconcile interfund transfers.			
145-0000-101.10-00	Cash / Cash in Bank	50,000.00	
145-0000-101.10-00	Cash / Cash in Bank	50,000.00	
145-0000-598.95-19	Transfer Out / Economic Development Fund	50,000.00	
305-0000-101.10-00	Cash / Cash in Bank	50,000.00	
305-0000-101.10-00	Cash / Cash in Bank	50,000.00	
305-0000-498.95-19	Transfers In / Gas Development Fund	50,000.00	
390-0000-101.10-00	Cash / Cash in Bank	50,000.00	
390-0000-598.95-06	Transfer Out / Economic CIP Fund	50,000.00	
410-0000-498.95-44	Transfers In / EAGL Fund	7,500.00	
145-0000-101.10-00	Cash / Cash in Bank		50,000.00
145-0000-498.95-30	Transfers In / General CIP Fund		50,000.00
145-0000-598.95-19	Transfer Out / Economic Development Fund		50,000.00
305-0000-101.10-00	Cash / Cash in Bank		50,000.00
305-0000-498.95-06	Transfers In / Economic CIP Fund (390)		50,000.00
305-0000-498.95-19	Transfers In / Gas Development Fund		50,000.00
390-0000-101.10-00	Cash / Cash in Bank		50,000.00
390-0000-598.95-06	Transfer Out / Economic CIP Fund		50,000.00
410-0000-491.60-00	Miscellaneous Revenues / Other Income		7,500.00
Total		407,500.00	407,500.00
Adjusting Journal Entries JE # 27			
PBC - AJE6 to reverse PARD-econ dev			
125-0000-101.10-00	Cash / Cash in Bank	127,374.00	
140-0000-498.95-14	Transfers In / Park/Rec Fac Dev Fund	127,374.00	
125-0000-598.95-19	Transfer Out / Economic Development Fund		127,374.00
140-0000-101.10-00	Cash / Cash in Bank		127,374.00
Total		254,748.00	254,748.00
Adjusting Journal Entries JE # 29			
PBC AJE#8 - To remove water utility purchases from aquatic park.			
405-0000-461.10-00	Water and Sewer Service / Water Sales	123,421.00	
415-0000-101.10-00	Cash / Cash in Bank	123,421.00	
405-0000-101.10-00	Cash / Cash in Bank		123,421.00
415-7501-712.41-16	Utility Services / Water Purchases		123,421.00
Total		246,842.00	246,842.00

Schedule of Material Misstatements Corrected by Management (continued)

Adjusting Journal Entries JE # 36			
PBC - Debt AJE			
315-0000-161.03-18	Certificate of Obligation / 2018 CO	340,269.00	
315-0000-161.03-18	Certificate of Obligation / 2018 CO	9,706.00	
355-0000-498.75-18	Street CO / 2018 CO	177,960.00	
355-0000-498.75-18	Street CO / 2018 CO	13,533.00	
385-0000-161.03-18	Certificate of Obligation / 2018 CO	21,659.00	
385-0000-161.03-18	Certificate of Obligation / 2018 CO	16,153.00	
385-0000-161.03-18	Certificate of Obligation / 2018 CO	14,684.00	
385-0000-161.03-18	Certificate of Obligation / 2018 CO	15,418.00	
385-0000-161.03-18	Certificate of Obligation / 2018 CO	29,001.00	
386-0000-161.03-18	Certificate of Obligation / 2018 CO	235,050.00	
386-0000-161.03-18	Certificate of Obligation / 2018 CO	3,295.00	
406-0000-161.03-18	Certificate of Obligation / 2018 CO	787.00	
407-0000-161.03-18	Certificate of Obligation / 2018 CO	428.00	
416-0000-498.83-18	Aquatic Park CO / 2018 CO	178,356.00	
485-0000-575.88-20	Retirement of GLTD / ISSUANCE COST	178,356.00	
495-0000-498.30-00	Other Financing Sources / Issuance of Debt	1,215.00	
701-0000-571.88-10	Retirement of GLTD / Bond Principal	493,743.00	
315-0000-498.75-18	Street CO / 2018 CO		340,269.00
315-0000-498.75-18	Street CO / 2018 CO		9,706.00
355-0000-161.03-18	Certificate of Obligation / 2018 CO		177,960.00
355-0000-161.03-18	Certificate of Obligation / 2018 CO		13,533.00
385-0000-498.77-18	Fleet CO / 2018 CO		21,659.00
385-0000-498.77-18	Fleet CO / 2018 CO		16,153.00
385-0000-498.77-18	Fleet CO / 2018 CO		14,684.00
385-0000-498.77-18	Fleet CO / 2018 CO		15,418.00
385-0000-498.77-18	Fleet CO / 2018 CO		29,001.00
386-0000-498.79-18	CO Info System Projects / 2018 CO		235,050.00
386-0000-498.79-18	CO Info System Projects / 2018 CO		3,295.00
406-0000-498.81-18	Utility CO / 2018 CO		787.00
407-0000-498.81-18	Utility CO / 2018 CO		428.00
416-0000-161.03-18	Certificate of Obligation / 2018 CO		178,356.00
485-0000-498.30-00	Other Financing Sources / Issuance of Debt		178,356.00
495-0000-575.88-20	Retirement of GLTD / ISSUANCE COST		1,215.00
701-0000-498.30-00	Other Financing Sources / Issuance of Debt		493,743.00
Total		1,729,613.00	1,729,613.00
Adjusting Journal Entries JE # 38			
Record prepaid expenditure for fire truck.			
134-0000-141.20-00	Prepaid Expenses	900,000.00	
135-0000-141.20-00	Prepaid Expenses	300,000.00	
385-0000-141.20-00	Prepaid Expenses	59,758.00	
134-8585-601.79-04	Capital Exp - Projects / Equipment Exp		900,000.00
135-8585-601.79-04	Capital Exp - Projects / Equipment Exp		300,000.00
385-8585-601.79-04	Capital Exp - Projects / Equipment Exp		59,758.00
Total		1,259,758.00	1,259,758.00

Schedule of Material Misstatements Corrected by Management (continued)

Adjusting Journal Entries JE # 42			
WP Amortization Proposed AIEs			
485-0000-221.10-99	Bond Refunding - WP	185,552.00	
485-0000-224.01-99	Unamortized Prem/Disc - WP	213,703.00	
495-0000-221.10-99	Bond Refunding / WP	509,752.00	
495-9595-575.88-30	Retirement of GLTD / Disc on Bond Issue	217,594.00	
485-9595-575.88-30	Retirement of GLTD / Disc on Bond Issue		213,703.00
485-9595-575.88-30	Retirement of GLTD / Disc on Bond Issue		185,552.00
495-0000-224.01-99	Unamortized Prem/Disc - WP		217,594.00
495-9595-575.88-30	Retirement of GLTD / Disc on Bond Issue		509,752.00
Total		1,126,601.00	1,126,601.00
Adjusting Journal Entries JE # 43			
WP Proposed AIE to Correct Series 2018 Bond Issuance and Cash Balances			
205-0000-575.88-20	Retirement of GLTD / ISSUANCE COST	387,268.00	
205-0000-575.88-50	Retirement of GLTD / Escrow Pmt for Refunding	5,380,743.00	
399-0000-498.77-17	Fleet CO / 2017 CO	691,600.00	
399-0000-575.88-20	Bond Issuance Costs	24,998.00	
405-9898-575.89-20	Interest and Fiscal Agent / Paying Agent Fees	16,141.00	
415-9595-575.89-20	Interest and Fiscal Agent / Paying Agent Fees	9,611.00	
485-9595-575.88-20	Retirement of GLTD / ISSUANCE COST	254,565.00	
495-0000-101.10-00	Cash / Cash in Bank	308,135.00	
205-0000-101.10-00	Cash / Cash in Bank		387,268.00
205-0000-498.30-50	Issuance of Debt / Premium on Issuance		231,130.00
205-0000-498.30-75	Issuance of Debt / Refunding Proceeds		4,865,000.00
205-0000-575.88-20	Retirement of GLTD / ISSUANCE COST		284,613.00
399-0000-101.10-00	Cash / Cash in Bank		24,998.00
399-0000-498.30-50	Issuance of Debt / Premium on Issuance		507,043.00
399-0000-575.88-20	Bond Issuance Costs		184,557.00
405-0000-498.30-00	Other Financing Sources / Issuance of Debt		16,141.00
415-0000-498.30-00	Other Financing Sources / Issuance of Debt		9,611.00
485-0000-101.10-00	Cash / Cash in Bank		254,565.00
495-9595-575.88-20	Retirement of GLTD / ISSUANCE COST		308,135.00
Total		7,073,061.00	7,073,061.00
Adjusting Journal Entries JE # 47			
To reclassify Rufe Snow receivables for reimbursement requests to unavailable revenue as			
135-0000-431.20-12	Federal / Dept of Transportation	3,667,930.00	
135-0000-221.01-00	Deferred Revenue / Deferred Revenue		3,667,930.00
Total		3,667,930.00	3,667,930.00

Schedule of Material Misstatements Corrected by Management (continued)

Adjusting Journal Entries JE # 48			
Final Debt A/E			
205-0000-101.10-00	Cash / Cash in Bank	387,268.00	
315-0000-498.30-00	Issuance of Debt	269,372.00	
315-0000-598.95-32	Transfer Out / Permanent Street Maint	340,238.00	
350-0000-498.30-00	Issuance of Debt	21,541.00	
355-0000-161.03-18	Certificate of Obligation / 2018 CO	191,493.00	
355-0000-498.30-00	Issuance of Debt	59,420.00	
385-0000-498.30-00	Issuance of Debt	46,019.00	
385-0000-598.95-50	Transfer Out / Building Support Services	95,251.00	
386-0000-498.30-00	Issuance of Debt	295,248.00	
386-0000-598.95-50	Transfer Out	227,674.00	
399-0000-101.10-00	Cash / Cash in Bank	24,998.00	
399-0000-498.30-50	Issuance of Debt / Premium on Issuance	507,043.00	
399-0000-575.88-20	Bond Issuance Costs	159,559.00	
406-0000-598.95-06	Transfer Out / Economic CIP Fund (390)	787.00	
407-0000-598.95-06	Transfer Out / Economic CIP Fund (390)	428.00	
416-0000-161.03-18	Certificate of Obligation / 2018 CO	178,356.00	
485-0000-101.10-00	Cash / Cash in Bank	254,565.00	
495-0000-598.95-01	Transfer Out / General Fund	308,135.00	
205-0000-498.95-30	Transfers In / General CIP Fund		387,268.00
315-0000-161.03-18	Certificate of Obligation / 2018 CO		349,975.00
315-0000-498.30-50	Issuance of Debt - Premium		197,489.00
315-0000-575.88-20	Bond Issuance Costs		62,146.00
350-0000-498.30-50	Issuance of Debt - Premium		15,793.00
350-0000-498.95-01	Transfers In / General Fund		778.00
350-0000-575.88-20	Bond Issuance Costs		4,970.00
355-0000-498.30-50	Issuance of Debt - Premium		43,563.00
355-0000-498.95-01	Transfers In / General Fund		193,641.00
355-0000-575.88-20	Retirement of GLTD / ISSUANCE COST		13,709.00
385-0000-161.03-18	Certificate of Obligation / 2018 CO		96,915.00
385-0000-498.30-50	Issuance of Debt - Premium		33,738.00
385-0000-575.88-20	Bond Issuance Costs		10,617.00
386-0000-161.03-18	Certificate of Obligation / 2018 CO		238,345.00
386-0000-498.30-50	Issuance of Debt - Premium		216,460.00
386-0000-575.88-20	Bond Issuance Costs		68,117.00
399-0000-498.77-17	Fleet CO / 2017 CO		691,600.00
406-0000-161.03-18	Certificate of Obligation / 2018 CO		787.00
407-0000-161.03-18	Certificate of Obligation / 2018 CO		428.00
416-0000-498.95-01	Transfers In		178,356.00
485-0000-498.95-01	Transfer In		212,470.00
485-9595-575.89-10	Interest and Fiscal Agent / Bond Interest		42,095.00
495-0000-101.10-00	Cash / Cash in Bank		308,135.00
Total		3,367,395.00	3,367,395.00

Schedule of Uncorrected Misstatements

Account	Description	Debit	Credit
Uncorrected Misstatement # 1			
To record police and employee benevolent funds as agency funds. The funds are not currently recorded in the City's financial statements.			
	Cash and cash equivalents	33,168.00	
	Funds held for others		33,168.00
Total		1,110,141.00	1,110,141.00