

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. The securities referenced herein may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall the Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

Dated July 2, 2026

Ratings:
S&P: "AA+"
(See "OTHER INFORMATION -
Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS - Tax Exemption" herein.

THE BONDS WILL NOT BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS



\$11,460,000*
CITY OF HURST, TEXAS
(Tarrant County)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2026

Dated Date: July 1, 2026

Interest Accrues from Delivery Date

Due: August 15, as shown below

PAYMENT TERMS . . . Interest on the \$11,460,000* City of Hurst, Texas, General Obligation Refunding Bonds, Series 2026 (the "Bonds") will accrue from the delivery date (the "Delivery Date"), will be payable February 15 and August 15 of each year, commencing February 15, 2027, until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE OBLIGATIONS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Houston, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Texas Constitution, the City's Home Rule Charter, and general laws of the State of Texas (the "State"), including particularly Texas Government Code, Chapter 1207, as amended, and an ordinance to be adopted by the City Council of the City on July 14, 2026, authorizing the issuance of the Bonds (the "Bond Ordinance") and are direct obligations of the City of Hurst, Texas (the "City"), payable from a direct and continuing annual ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in Bond Ordinance (see "THE OBLIGATIONS - Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the Bonds will be used for (i) refunding a portion of the City's outstanding debt (the "Refunded Obligations") for debt service savings, and (ii) payment of the costs of issuance of the Bonds.

MATURITY SCHEDULE*

CUSIP Prefix⁽¹⁾: 447871

<u>Amount</u>	<u>8/15 Maturity</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>CUSIP Suffix⁽¹⁾</u>
\$ 1,065,000	2027			
1,110,000	2028			
875,000	2029			
910,000	2030			
960,000	2031			
995,000	2032			
1,055,000	2033			
1,100,000	2034			
1,160,000	2035			
940,000	2036			
635,000	2037			
655,000	2038			

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the City nor the Municipal Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS - Optional Redemption").

SEPARATE ISSUES . . . The Bonds are being offered by the City concurrently with the "City of Hurst, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2026" (the "Certificates") under a common Official Statement, and such Bonds and Certificates are hereinafter sometimes referred to collectively as the "Obligations." The Obligations are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, and other features.

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Initial Purchaser of the Bonds and subject to the approving opinion of the Attorney General of Texas and the opinion of Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel (see APPENDIX C, "Forms of Bond Counsel's Opinions").

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on August 18, 2026 (the "Delivery Date").

BIDS DUE TUESDAY, JULY 14, 2026, AT 10:00 AM, CDT

* Preliminary, subject to change. See Place and Time of Bid Opening and Adjustment of Principal Amount and/or Types of Bids in the Notice of Sale and Bidding Instructions.

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This Preliminary Official Statement and the information contained herein are subject to completion or amendment. The securities referenced herein may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall the Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

(See "Continuing Disclosure of Information" herein)

Dated July 2, 2026

Ratings:
S&P: "AA+"
(See "OTHER INFORMATION - Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Certificates is excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS - Tax Exemption" herein.

THE CERTIFICATES WILL NOT BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS



Dated Date: July 1, 2026

Due: August 15, as shown below

PAYMENT TERMS . . . Interest on the \$6,735,000* City of Hurst, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2026 (the "Certificates") will accrue from the delivery date (the "Delivery Date"), will be payable February 15 and August 15 of each year, commencing February 15, 2027, until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE OBLIGATIONS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Houston, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Texas Constitution, the City's Home Rule Charter and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance to be adopted by the City Council on July 14, 2026, authorizing the issuance of the Certificates (the "Certificate Ordinance") and constitute direct obligations of the City of Hurst, Texas (the "City"), payable from a combination of (i) the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of \$1,000 of the Net Revenues of the City's Waterworks and Sewer System (the "System") as provided in the Certificate Ordinance, (see "THE OBLIGATIONS - Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the Certificates will be used for (i) purchasing fire-fighting apparatus and associated equipment, including a fire truck, (ii) constructing, improving and renovating streets, alleys, culverts and bridges, including drainage and erosion control, landscaping, screening walls, curbs, gutters, sidewalks, lighting, signage and traffic signalization incidental thereto and the acquisition of land, equipment and rights-of-way therefor, and (iii) professional services rendered in relation to such projects and the costs of issuance for the Certificates (see "PLAN OF FINANCING").

MATURITY SCHEDULE*

CUSIP Prefix ⁽¹⁾: 447871

Amount	8/15 Maturity	Interest Rate	Initial Yield	CUSIP Suffix ⁽¹⁾	Amount	8/15 Maturity	Interest Rate	Initial Yield	CUSIP Suffix ⁽¹⁾
\$ 295,000	2027				\$ 285,000	2037			
310,000	2028				300,000	2038			
325,000	2029				315,000	2039			
340,000	2030				330,000	2040			
355,000	2031				345,000	2041			
375,000	2032				365,000	2042			
390,000	2033				380,000	2043			
245,000	2034				400,000	2044			
260,000	2035				415,000	2045			
270,000	2036				435,000	2046			

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REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS - Optional Redemption").

SEPARATE ISSUES . . . The Certificates are being offered by the City concurrently with the "City of Hurst, Texas, General Obligation Refunding Bonds, Series 2026" (the "Bonds"), and such Certificates and Bonds are hereinafter sometimes referred to collectively as the "Obligations." The Certificates and Bonds are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, and other features.

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the Initial Purchaser of the Certificates and subject to the approving opinion of the Attorney General of Texas and the opinion of Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel (see APPENDIX C, "Forms of Bond Counsel's Opinions").

DELIVERY . . . It is expected that the Certificates will be available for delivery through DTC on August 18, 2026 (the "Delivery Date").

BIDS DUE TUESDAY, JULY 14, 2026, AT 10:30 AM, CDT

* Preliminary, subject to change. See Place and Time of Bid Opening and Adjustment of Principal Amount and/or Types of Bids in the Notice of Sale and Bidding Instructions

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For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule"), this document constitutes an Official Statement of the City with respect to the Rule that has been "deemed final" by the City as of its date except for the omission of no more than the information permitted by the Rule.

This Preliminary Official Statement, which includes the cover pages, the Schedule and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation, or sale.

No dealer, broker, salesperson, or other person has been authorized to give information or to make any representation other than those contained in this Preliminary Official Statement, and, if given or made, such other information or representations must not be relied upon.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the representation, promise, or guarantee of the Municipal Advisor. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Preliminary Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Preliminary Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

NEITHER THE CITY, NOR ITS MUNICIPAL ADVISOR MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS PRELIMINARY OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY ONLY SYSTEM.

IN CONNECTION WITH THE OFFERING OF THE OBLIGATIONS, THE INITIAL PURCHASERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE OBLIGATIONS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE OBLIGATIONS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE OBLIGATIONS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE OBLIGATIONS HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

THIS PRELIMINARY OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENT.

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The cover pages hereof, this page, the schedule, the appendices included herein and any addenda, supplement, or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Obligations to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

- THE CITY**..... The City of Hurst, Texas (the "City"), is a political subdivision and municipal corporation of the State, located in Tarrant County, Texas. The City covers approximately 10.9 square miles (see "INTRODUCTION - Description of the City").
- THE BONDS** The \$11,460,000* General Obligation Refunding Bonds, Series 2026 are to mature on August 15 in each of the years 2027 through 2038 (see "THE OBLIGATIONS - Description of the Obligations").
- THE CERTIFICATES** The \$6,735,000* Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2026 are scheduled to mature on August 15 in the years 2027 through 2046 (see "THE OBLIGATIONS - Description of the Obligations").
- PAYMENT OF INTEREST** Interest on the Obligations accrues from the Delivery Date, and is payable February 15, 2027, and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE OBLIGATIONS - Description of the Obligations" and "THE OBLIGATIONS - Optional Redemption").
- AUTHORITY FOR ISSUANCE** The Bonds are issued pursuant to the Texas Constitution, the City's Home Rule Charter, and general laws of the State, including particularly Texas Government Code, Chapter 1207, as amended, and a Bond Ordinance to be adopted by the City Council of the City (the "Bond Ordinance") (see "THE OBLIGATIONS - Authority for Issuance").
- The Certificates are issued pursuant to the Texas Constitution, the City's Home Rule Charter and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the Certificate Ordinance to be adopted by the City Council of the City (the "Certificate Ordinance") (See "THE OBLIGATIONS - Authority for Issuance").
- SECURITY FOR THE BONDS** The Bonds constitute direct obligations of the City, payable from a direct and continuing annual ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City (see "THE OBLIGATIONS - Security and Source of Payment").
- SECURITY FOR THE CERTIFICATES** The Certificates constitute direct obligations of the City, payable from a combination of (i) a direct and continuing annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of \$1,000 of the Net Revenues of the City's Waterworks and Sewer System as provided in the Certificate Ordinance (see "THE OBLIGATIONS - Security and Source of Payment").
- REDEMPTION** The City reserves the right, at its option, to redeem Obligations having stated maturities on and after August 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE OBLIGATIONS - Optional Redemption").
- TAX EXEMPTION** In the opinion of Bond Counsel, the interest on the Obligations will be excludable from gross income for federal income tax purposes under existing law subject to the matters described under "TAX MATTERS - Tax Exemption" herein.
- USE OF PROCEEDS** Proceeds from the sale of the Bonds will be used for (i) refunding a portion of the City's outstanding debt (the "Refunded Obligations") for debt service savings, and (ii) payment of the costs of issuance of the Bonds (see "PLAN OF FINANCING").

Proceeds from the sale of the Certificates will be used for (i) purchasing fire-fighting apparatus and associated equipment, including a fire truck, (ii) constructing, improving and renovating streets, alleys, culverts and bridges, including drainage and erosion control, landscaping, screening walls, curbs, gutters, sidewalks, lighting, signage and traffic signalization incidental thereto and the acquisition of land, equipment and rights-of-way therefor, and (iii) professional services rendered in relation to such projects and the costs of issuance for the Certificates (see "PLAN OF FINANCING").

* Preliminary, subject to change.

RATINGS The presently outstanding tax supported debt of the City are rated by Moody's Investors Services, Inc. ("Moody's") and S&P Global Ratings ("S&P), a division of S&P Global Inc. The Obligations being issued are rated "AA+" by S&P (see "OTHER INFORMATION - Ratings").

BOOK-ENTRY-ONLY SYSTEM..... The definitive Obligations will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Obligations may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Obligations will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations (see "THE OBLIGATIONS - Book-Entry-Only System").

PAYMENT RECORD The City has never defaulted on the payment of its bonded indebtedness.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	Tax Debt Outstanding at End of Year	Ratio	Funded Debt Per Capita
					Tax Debt to Taxable Assessed Valuation	
2022	38,930	\$ 3,573,507,620	\$ 91,793	\$ 55,050,000	1.54%	\$ 1,414
2023	40,430	3,963,200,347	98,026	50,420,000	1.27%	1,247
2024	40,452	4,379,015,399	108,252	49,985,000	1.14%	1,236
2025	40,454	4,445,072,374	109,880	50,080,000	1.13%	1,238
2026	40,454	4,576,545,682	113,130	51,650,000 ⁽³⁾	1.13% ⁽³⁾	1,277 ⁽³⁾

- (1) Source: North Central Texas Council of Governments.
- (2) As reported by Tarrant Appraisal District.
- (3) Projected, includes the Obligations. Preliminary, subject to change.

For additional information regarding the City, please contact:

Clay Caruthers Clayton Fulton City of Hurst 1505 Precinct Line Road Hurst, Texas 76054 (817) 788-7000	or	Nick Bulaich Steven Murray Hilltop Securities Inc. 777 Main Street, Suite 1525 Fort Worth, Texas 76102 (817) 332-9710
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CITY OFFICIALS, STAFF, AND CONSULTANTS

ELECTED OFFICIALS

<u>City Council</u>	<u>Term Expires</u>	<u>Occupation</u>
Henry Wilson Mayor - Place 3	May, 2028	Retired Chief of Product Data Systems - Bell Helicopter
Jimmy Meeks Councilmember - Place 1	May, 2027	Retired Law Enforcement/Security Consultant
John Miller Councilmember - Place 2	May, 2027	Missionary
Cathy Brotherton Mayor Pro Tem - Place 4	May, 2028	Real Estate Agent/Retired Teacher
Alan Heaton Councilmember - Place 5	May, 2028	Retired Accountant
Jon McKenzie Councilmember - Place 6	May, 2027	Minister
Gary N. Waldron Councilmember - Place 7	May, 2028	Health Insurance

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Year of Employment</u>
Clay Caruthers	City Manager	2004
Malaika Farmer	Assistant City Manager	2005
Clayton Fulton	Assistant City Manager	2016
Paul Brown	Managing Director of Finance	2015
Robert Saucedo	Executive Director of Public Works	2025
Lola Smith	City Secretary	2023
Matthew Boyle	City Attorney	2020

CONSULTANTS AND ADVISORS

Auditors	FORVIS Mazars Fort Worth, Texas
Bond Counsel	Norton Rose Fulbright US LLP Dallas, Texas
Municipal Advisor	Hilltop Securities Inc. Fort Worth, Texas

PRELIMINARY OFFICIAL STATEMENT

RELATING TO

\$11,460,000*
CITY OF HURST, TEXAS
GENERAL OBLIGATION REFUNDING
BONDS, SERIES 2026

\$6,735,000*
CITY OF HURST, TEXAS
TAX AND WATERWORKS AND SEWER SYSTEM
(LIMITED PLEDGE) REVENUE CERTIFICATES
OF OBLIGATION, SERIES 2026

INTRODUCTION

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of \$11,460,000* City of Hurst, Texas, General Obligation Refunding Bonds, Series 2026 (the "Bonds") and \$6,735,000* City of Hurst, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2026 (the "Certificates" and together with the Bonds, collectively, the "Obligations"). The Obligations are separate and distinct securities offerings being authorized for issuance under separate ordinances (the ordinance authorizing the Bonds, the "Bond Ordinance" and the ordinance authorizing the Certificates, the "Certificate Ordinance" and, together with the Bond Ordinance, the "Ordinances") to be adopted by the City Council of the City of Hurst, Texas (the "City"), but are being offered and sold pursuant to a common Official Statement. While the Obligations share certain common attributes, each issue is separate and apart from the other and should be reviewed and analyzed independently, including the kind and type of obligation being issued, its terms of payment, the security for its payment, the rights of the holders, and the covenants and agreements made with respect thereto. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinances to be adopted on the date of sale of the Obligations, except as otherwise indicated herein.

This Official Statement contains descriptions of the Obligations and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Municipal Advisor, Hilltop Securities Inc. ("HilltopSecurities"), Fort Worth, Texas.

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1952, and first adopted its Home Rule Charter in 1956 and last amended it in May 2026. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Councilmembers. The term of office is two years with the terms of the Mayor and three of the Councilmembers' terms expiring in even-numbered years and the other terms of the three Councilmembers expiring in odd-numbered years. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), municipal court, streets, engineering, traffic and transportation, water distribution, sewer treatment, sanitation, health, recreation, public improvements, planning and zoning, and general administrative services. The 2010 Census population for the City was 37,337, while the estimated 2026 population is 40,454. The City covers approximately 10.9 square miles.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Bonds will be used for (i) refunding a portion of the City's outstanding debt (the "Refunded Obligations") for debt service savings, and (ii) payment of the costs of issuance of the Bonds.

Proceeds from the sale of the Certificates will be used for (i) purchasing fire-fighting apparatus and associated equipment, including a fire truck, (ii) constructing, improving and renovating streets, alleys, culverts and bridges, including drainage and erosion control, landscaping, screening walls, curbs, gutters, sidewalks, lighting, signage and traffic signalization incidental thereto and the acquisition of land, equipment and rights-of-way therefor, and (iii) professional services rendered in relation to such projects and the financing thereof (see "PLAN OF FINANCING").

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Obligations will be applied approximately as follows:

	<u>The Bonds</u>	<u>The Certificates</u>
Sources:		
Par Amount	\$ -	\$ -
Net Cash Premium	-	-
Total Sources of Funds	<u>\$ -</u>	<u>\$ -</u>
Uses:		
Refunding Escrow Deposit	\$ -	\$ -
Construction or Acquisition Deposit	-	-
Costs of Issuance	-	-
Total Uses of Funds	<u>\$ -</u>	<u>\$ -</u>

*Preliminary; subject to change.

REFUNDED OBLIGATIONS ... A description and identification of the Refunded Obligations appears in Schedule I attached hereto. The Refunded Obligations and the interest due thereon are to be paid on their redemption date or maturity date from funds to be deposited with the paying agent for the Refunded Obligations (the "Refunded Obligations Paying Agent"). The Bond Ordinance provides that from the proceeds of the sale of the Bonds to the initial purchasers thereof, the City will deposit with Refunded Obligations Paying Agent an amount, together with other lawfully available funds, if any, that will be sufficient to accomplish the discharge and final payment of the Refunded Obligations on their redemption date or maturity date. Such funds will be held by the Refunded Obligations Paying Agent uninvested in a trust clearing account pending their disbursement to redeem or pay the Refunded Obligations on their redemption or maturity date. The Refunded Obligations Paying Agent will certify at the time of delivery of the Bonds to the initial purchaser of the Bonds that the cash deposit will be sufficient to pay the principal of and interest on the Refunded Obligations on their redemption date or maturity date.

By the deposit of the funds with the Refunded Obligations Paying Agent, the City will have effected the defeasance of all of the Refunded Obligations pursuant to the terms of Chapter 1207, Texas Government Code, as amended, and the ordinances authorizing the issuance of the Refunded Obligations. As a result of such defeasance, the Refunded Obligations will be outstanding only for the purpose of receiving cash held for such purpose by the Refunded Obligations Paying Agent, such Refunded Obligations will not be deemed as being outstanding obligations of the City, payable from the sources and secured in the manner provided in the ordinances authorizing their issuance or for any other purpose, and the City will have no further responsibility with respect to amounts held by the Refunded Obligations Paying Agent for the payment of the Refunded Obligations.

THE OBLIGATIONS

DESCRIPTION OF THE OBLIGATIONS . . . The Obligations are dated July 1, 2026 (the "Dated Date"), and mature on August 15 in each of the years and in the amounts shown on the cover page and page 3 hereof. Interest on the Obligations will accrue from the Delivery Date, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year, commencing February 15, 2027, until maturity or prior redemption. The definitive Obligations will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Obligations will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations. See "THE OBLIGATIONS - Book-Entry-Only System" herein.

Interest on the Obligations shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Obligations will be paid to the registered owner at their stated maturity or upon earlier redemption upon presentation to designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Obligations, all payments will be made as described under "THE OBLIGATIONS - Book-Entry-Only System" herein. If the date for any payment on the Obligations shall be a Saturday, a Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the Texas Constitution, the City's Home Rule Charter, and general laws of the State, particularly Texas Government Code, Chapter 1207, as amended, and the Bond Ordinance.

The Certificates are being issued pursuant to the Constitution, the City's Home Rule Charter and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the Certificate Ordinance.

SECURITY AND SOURCE OF PAYMENT . . .

The Bonds . . . The principal of and interest on the Bonds is payable from a direct and continuing annual ad valorem tax levied by the City within the limits prescribed by law upon all taxable property in the City as provided in the Bond Ordinance.

The Certificates . . . The principal of and interest on the Certificates is payable from a direct and continuing annual ad valorem tax levied by the City, within the limits prescribed by law, upon all taxable property in the City. Additionally, the Certificates are payable from a limited pledge of \$1,000 of the Net Revenues (as defined in the Certificate Ordinance) of the City's combined Waterworks and Sewer System (the "System"), such pledge of the Net Revenues for the payment of the Certificates being junior and subordinate to the lien on and pledge of such Net Revenues securing the payment of "Prior Lien Obligations" (as defined in the Certificate Ordinance) now outstanding or hereafter issued by the City. The City reserves and retains the right to issue Prior Lien Obligations without any limitations as to principal amount, or satisfying any terms, conditions, or restrictions other than as may be required by law as well as the right to issue additional obligations payable from the same sources as the Certificates and, together with the Certificates, equally and ratably secured by a parity lien on and pledge of the Net Revenues of the System.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy, and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and provides for a maximum ad valorem tax rate of \$2.50 per \$100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City limits the maximum tax rate of the City to \$1.50 per \$100 taxable assessed valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.00 of the \$1.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based upon a 90% collection factor.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem the Bonds or Certificates, or both, having stated maturities on and after August 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds or Certificates are to be redeemed, the City may select the maturities of Bonds or Certificates, as the case may be, to be redeemed. If less than all of the Bonds or Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds or Certificates, as applicable, are in Book-Entry-Only form) shall determine by lot the Bonds or Certificates, or portions thereof, within such maturity to be redeemed. If a Bond or Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond or Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION . . . In the event any of the Obligations are structured as "Term" Obligations, such Term Obligations will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the respective Ordinances, which provisions will be included in the final Official Statement.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Obligations, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Obligations to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE OBLIGATIONS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY OBLIGATION OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH OBLIGATION OR PORTION THEREOF SHALL CEASE TO ACCRUE.

With respect to any optional redemption of the Obligations, unless certain prerequisites to such redemption required by the Ordinances have been met and moneys sufficient to pay the redemption price of the Obligations to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the satisfaction of such prerequisites and receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not satisfied or sufficient moneys are not received, such notice shall be of no force and effect, the City shall not redeem such Obligations and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Obligations have not been redeemed.

The Paying Agent/Registrar and the City, so long as a book-entry-only system is used for the Obligations, will send any notice of redemption, notice of proposed amendment to the Ordinances or other notices with respect to the Obligations only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Obligation called for redemption or any other action premised or any such notice. Redemption of portions of the Obligations by the City will reduce the outstanding principal amount of such Obligations held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Obligation held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Obligation from the beneficial owners. Any such selection of Obligations to be redeemed will not be governed by the Ordinances and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Obligations or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Obligations for redemption. See "THE OBLIGATIONS – Book-Entry-Only-System" herein.

AMENDMENTS . . . The City may, without the consent of or notice to any registered owners, from time to time and at any time, amend the Ordinances in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the written consent of holders of a majority in aggregate principal amount of the Bonds or Certificates, as the case may be, then outstanding, amend, add to, or rescind any of the provisions of the Ordinances; provided that, without the consent of the registered owners of all of the Bonds or Certificates, as the case may be, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds or Certificates, reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds or Certificates, (2) give any preference to any Bond or Certificate over any other Bond or Certificate, as the case may be, or (3) reduce the aggregate principal amount of the Bonds or Certificates, as the case may be, required to be held by the owners of the Bonds or Certificates, as the case may be, for consent to any such amendment, addition, or rescission.

DEFEASANCE . . . The respective Ordinances provide for the defeasance of the Bonds or Certificates when the payment of the principal of and premium, if any, on the Bonds or Certificates, as the case may be, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar or other authorized escrow agent, in trust (1) money sufficient to make such payment or (2) Government Securities, certified by an independent accounting or consulting firm of national reputation to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation, and expenses of the paying agent for the Bonds or Certificates being defeased. The respective Ordinances provide that "Government Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any other then authorized securities or obligations that may be used to defease obligations such as the Obligations under the then applicable laws of the State of Texas. The City has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. Upon making such deposit in the manner described, such Bonds or Certificates, as the case may be, shall no longer be deemed outstanding obligations secured by the Bond Ordinance or Certificate Ordinance, as the case may be, but will be payable only from the funds and Government Securities deposited in escrow and will not be considered debt of the City for purposes of taxation or applying any limitation on the City's ability to issue debt or for any other purpose.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Obligations. Because the Ordinances do not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Government Securities or that for any other Government Security will be maintained at any particular rating category.

Furthermore, all rights of the City to initiate proceedings to call the Obligations for redemption or take any other action amending the terms of the Obligations are extinguished; provided, however, that the right to call the Obligations for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Obligations for redemption; (ii) gives notice of the reservation of that right to the owners of the Obligations immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Obligations is to be transferred and how the principal of, premium, if any, and interest on the Obligations are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Obligations are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Obligations, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Obligations), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Obligation certificate will be issued for each maturity and series of the Obligations, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income

Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices for the Obligations shall be sent to DTC. If less than all of the Obligations within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Obligations unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar of each series, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar of each series, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Paying Agent/Registrar of each series, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to one or both series of the Obligations at any time by giving reasonable notice to the City or the respective Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, obligation certificates are required to be printed and delivered.

The City may decide to discontinue the use of the system of book-entry-only transfers through DTC (or a successor depository). In that event, obligation certificates will be printed and delivered as described below.

Use of Certain Terms in Other Sections of this Official Statement . . . In reading this Official Statement it should be understood that while the Obligations are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Obligations, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinances will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Municipal Advisor, or the Initial Purchaser of the Obligations.

Effect of Termination of Book-Entry-Only System . . . In the event that the Book-Entry-Only System of the Obligations is discontinued, printed certificates will be issued to the DTC Participants or the holder, as the case may be, and such Obligations will be subject to transfer, exchange and registration provisions as set forth in the Ordinances and summarized under "THE OBLIGATIONS - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Houston, Texas. In the Ordinances, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds or Certificates, as the case may be, are duly paid and any successor Paying Agent/Registrar shall be a commercial bank, financial institution or trust company or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Obligations. Upon any change in the Paying Agent/Registrar for the Bonds or Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Obligations affected by the changes by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, interest on the Obligations shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent by United States mail, first class postage prepaid, to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Obligations will be paid to the registered owner at their stated maturity or earlier redemption upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Obligations shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due the Bonds or Certificates, as the case may be, will be printed and delivered to the registered owners thereof and thereafter may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds and Certificates may be assigned by the execution of an assignment form on the respective Bonds and Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds and Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Bonds and Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds and Certificates issued in an exchange or transfer of Bonds and Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds and Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds and Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount and series as the Obligations surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds and Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond or Certificate called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation on transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond or Certificate.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Obligations on any interest payment date means the close of business on the last business day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of an Obligation appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

OBLIGATIONHOLDERS' REMEDIES . . . The Ordinances do not specify events of default with respect to the Obligations. If the City defaults in the payment of principal, interest, or redemption price on the Obligations when due, or if it fails to make payments into any fund or funds created in the Ordinances, or defaults in the observation or performance of any other covenants, conditions, or obligations set for in the Ordinances, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Obligations if there is no other available remedy at law to compel performance of the Obligations or the Ordinances and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and within the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinances do not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinances, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489S.W. 3d 427 (Tex. 2016) (“Wasson”) that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. The Texas Supreme Court reviewed Wasson again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore in regard to municipal contract cases (as in tort claims) it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. If sovereign immunity is determined by a court to exist then the Texas Supreme Court ruled in *Tooke v. City of Mexia* 197 S.W.3rd 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Because it is unclear whether the Texas legislature has effectively waived the City’s sovereign immunity from a suit for money damages, holders of the Obligations may not be able to bring such a suit against the City for breach of the Obligations or the covenants in the Ordinances. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City’s property.

Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Obligations. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce remedies would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Ordinances and the Obligations are qualified with respect to the customary rights of debtors relative to their creditors.

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TAX INFORMATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

VALUATION OF TAXABLE PROPERTY . . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Tarrant Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property. State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land. The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see "TAX INFORMATION – City and Taxpayer Remedies").

Effective January 1, 2024, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain non-homestead properties (the "Subject Property") whose appraised values are not more than \$5,000,000 (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2024 tax year, through December 31, 2026 (unless extended by the State Legislature), the maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer index, as applicable, to the maximum property value. For 2026 tax year, the maximum property value was increased to \$5,320,000.

STATE MANDATED HOMESTEAD EXEMPTIONS . . . State law grants, with respect to each city in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action, and surviving spouses of first responders killed or fatally wounded in the line of duty.

LOCAL OPTION HOMESTEAD EXEMPTIONS . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. Cities, counties and school districts that adopted an optional homestead exemption described in (1), above, for the 2022 tax year are prohibited from repealing or reducing the exemption through December 31, 2027. The exemption described in (2), above, may be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED . . . The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

PERSONAL PROPERTY . . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. Effective January 1, 2026, a person is entitled to an exemption from taxation by a taxing unit of \$125,000 of the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of \$125,000, regardless of where the property is located in the taxing unit.

FREEPORT AND GOODS-IN-TRANSIT EXEMPTIONS . . . Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

OTHER EXEMPT PROPERTY . . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property. Beginning with the 2026 tax year, all intelligible personal property is exempt from taxation.

TAX INCREMENT REINVESTMENT ZONES . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ") within its boundaries. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "tax increment". During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER . . . The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. The Texas Legislature amended Section 11.35 Property Tax Code to clarify that "Damage" for purposes of such statute is limited to "physical damage." For more information on the exemption, reference is made to Section 11.35 of the Property Tax Code, as amended. Texas Attorney General Opinion KP-0299, issued on April 13, 2020, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

TAX ABATEMENT AGREEMENTS . . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

For a discussion of how the various exemptions described above are applied by the City, see "TAX INFORMATION – City Application of Property Tax Code" herein.

CITY AND TAXPAYER REMEDIES . . . Under certain circumstances, taxpayers and taxing units, including the City, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of 1.2 million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$62,883,169 for the 2026 calendar year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (see "TAX INFORMATION – Public Hearing and Maintenance and Operations Tax Rate Limitations"). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

LEVY AND COLLECTION OF TAXES . . . The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

PUBLIC HEARING AND MAINTENANCE AND OPERATIONS TAX RATE LIMITATIONS . . . The following terms as used in this section have the meanings provided below:

"adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.

"de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.

"foregone revenue amount" means the greater of zero or the amount expressed in dollars calculated according to the following formula: the voter-approval tax rate less the actual tax rate, then multiplied by the taxing unit's current total value in the applicable preceding tax year.

"no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

"special taxing unit" means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

"unused increment rate" means the greater of (i) zero: or (ii) the sum of the foregone revenue amount for each of the tax years 2023 through 2025 by the current total value.

"voter-approval tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate."

The City's tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its "voter-approval tax rate" and "no-new-revenue tax rate" (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

Furthermore, during the 89th Regular Session, the Legislature adopted Senate Bill 1851 ("SB 1851"), which will become effective in connection with the adoption of an ad valorem tax rate for tax year 2026 and thereafter. Under SB 1851, if the Texas Attorney General determines that a city has (a) not had its records and accounts audited and an annual financial statement prepared based on the audit or (b) failed to file its financial statements and auditor's opinion on such financial statements with the city secretary or city clerk before the 180th day after the city's fiscal year end, the city may not adopt an ad valorem tax rate that exceeds the city's no-new-revenue tax rate for (i) the tax year that begins on or after the date of the Attorney General's determination or (ii) a subsequent tax year that begins before the date the city has had an annual audit completed and financial statements prepared or filed the financial statement and auditor's opinion on such financial statement with the city secretary, as applicable.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its "de minimis rate", an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates posted notice prominently on the appraisal district's website (if the appraisal district maintains a website) and the assessor for the city has prominently posted on the city's website notice informing property owners of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase. The appraisal district is also required to post notice in a newspaper of general circulation by August 7 or as soon thereafter as practicable or if there is no newspaper of general circulation, the notice must be posted in the appraisal district's office.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city's adopted tax rate is equal to or less than the de minimis rate but greater than the greater of (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its "voter-approval tax rate" using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Obligations.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

DEBT TAX RATE LIMITATIONS . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax supported debt, within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 of Taxable Assessed Valuation however, the Home Rule Charter of the City limits the maximum tax rate of the City to \$1.50 per \$100 of taxable assessed valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.00 of the \$1.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

THE CITY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . . Taxes levied by the City are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the City, having power to tax the property. The City's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of February 15. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 15 of each year and the final installment due on August 15.

PENALTIES AND INTEREST . . . Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, the penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest penalty is to compensate the taxing unit for revenue lost because of the delinquency. In addition the taxing unit may contract with an attorney for the collection of delinquent taxes and the amount of compensation as set forth in such contract may not provide for a fee that exceeds 20% of the amount of delinquent tax, penalty, and interest collected, and such fee may be added to the total tax penalty and interest charged to the taxpayer. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

2025 REGULAR AND SPECIAL LEGISLATIVE SESSIONS . . . The regular session of the 89th Texas Legislature convened on January 14, 2025 and concluded on June 2, 2025 (the “89th Regular Session”). The Texas Legislature (the “Legislature”) meets in regular session on odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor has called and the Legislature has concluded two special sessions since the conclusion of the 89th Regular Session, the Legislature adopted a general appropriations act and legislation affecting ad valorem taxation procedures and the procedures of issuing debt affecting cities among other legislation affecting cities. Adopted legislation affecting ad valorem taxation procedures includes legislation that (i) changes the procedure for the adoption of and imposes limits on the amount of an M&O tax increase that may be adopted in response to declared disasters, (ii) makes technical modifications to the tax rate setting process, and (iii) makes intangible personal property exempt from ad valorem taxation. The City is reviewing the impact of the legislation approved during the 89th Regular Session and the two called special sessions and cannot make any representations regarding the likelihood of future legislative sessions or the full impact of the legislation approved during the 89th Regular Session or the two called special sessions at this time.

CITY APPLICATION OF TAX CODE . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$35,000, and disabled persons are also granted an exemption of \$35,000.

The City has granted an additional exemption of 20% of the market value of residence homesteads.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does tax nonbusiness personal property and Tarrant County collects taxes for the City.

The City does permit split payments of taxes, and discounts for early payment of taxes are not allowed.

The City does tax freeport property.

The City does not collect the additional one-half cent sales tax for reduction of ad valorem taxes.

The City has adopted a tax abatement policy and has four active 380 agreements covering retail, hospitality and a real estate project management apprenticeship program.

The City has adopted the tax freeze for citizens who are disabled or 65 years of age or older.

The City does tax goods in transit.

The City has not created a Tax Increment Reinvestment Zone.

See Table 1 for a listing of the amounts of the exemptions described above.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2025/26 Market Valuation Established by Tarrant Appraisal District		\$ 5,861,154,269
Less Exemptions/Reductions at 100% Market Value:		
Residence Homestead Exemptions	\$ 533,224,847	
Over 65 Years of Age/Disabled	136,075,666	
Disabled Veterans Exemptions	37,403,854	
Absolutes	507,025,508	
Pollution Control	144,416	
Solar and Wind	627,175	
Nominal Value Accounts	<u>264,559</u>	1,214,766,025
Plus Minimum Value of Protests		<u>(69,842,562)</u>
2025/26 Taxable Assessed Valuation		<u>\$ 4,576,545,682</u>
City Funded Debt Payable from Ad Valorem Taxes (as of 5/15/26)		
General Obligation Debt	\$ 37,860,000	
The Bonds ⁽²⁾	11,460,000	
The Certificates ⁽²⁾	<u>6,735,000</u>	
Funded Debt Payable from Ad Valorem Taxes		\$ 56,055,000
Less Self-Supporting Debt: ⁽¹⁾		
Water and Sewer System General Obligation Debt	\$ 7,980,000 ⁽²⁾	
Hotel/Motel General Obligation Debt	3,360,000	
4B Sales Tax General Obligation Debt	<u>10,190,000</u>	<u>21,530,000</u>
Net Funded Debt Payable From Ad Valorem Taxes		<u>\$ 34,525,000</u>
Interest and Sinking Fund (as of 5/15/26)		\$ 3,332,555
Ratio Total Funded Debt to Taxable Assessed Valuation		1.22%
Ratio Net Funded Debt to Taxable Assessed Valuation		0.75%

2026 Estimated Population - 40,454
Per Capita Taxable Assessed Valuation - \$113,130
Per Capita Total Net Funded Debt \$853

(1) General obligation debt in the amounts shown for which repayment is provided, as applicable, from (i) net revenues of the City's combined waterworks and sewer system (the "System"), (ii) hotel occupancy taxes and/or, (iii) sales tax revenue collected for the benefit of the Hurst Community Development Corporation (the "4B Sales Tax"). The amount of self-supporting debt is based on the percentages of revenue support as shown in Table 10. It is the City's current policy to provide these payments from such revenues; provided this policy is subject to change in the future. In the event payment is not made from revenues, the City will be required to assess an ad valorem tax sufficient to make such payments. See "Table 10-Computation of Self-Supporting Debt" for additional information.

(2) Preliminary, subject to change.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2026		2025		2024	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 3,424,431,899	58.43%	\$ 3,394,613,188	59.22%	\$ 3,015,935,762	63.59%
Real, Residential, Multi-Family	540,172,813	9.22%	528,347,930	9.22%	492,492,937	10.38%
Real, Vacant Lots/Tracts	34,768,435	0.59%	36,369,132	0.63%	21,719,630	0.46%
Real, Acreage (Land Only)	-	0.00%	-	0.00%	-	0.00%
Real, Farm and Ranch Improvements	-	0.00%	-	0.00%	-	0.00%
Real, Commercial	1,489,431,465	25.41%	1,392,626,193	24.30%	936,719,511	19.75%
Real, Industrial	31,301,684	0.53%	29,475,931	0.51%	27,822,759	0.59%
Real, Oil, Gas, Mineral Reserve	558,410	0.01%	558,570	0.01%	5,805,720	0.12%
Real and Tangible Personal, Utilities	56,061,466	0.96%	67,031,635	1.17%	47,768,748	1.01%
Tangible Personal, Commercial	220,913,464	3.77%	228,680,349	3.99%	121,692,625	2.57%
Tangible Personal, Industrial	10,526,753	0.18%	8,904,543	0.16%	30,880,842	0.65%
Real and Tangible Personal, Mobile Homes	832,657	0.01%	816,405	0.01%	849,846	0.02%
Real Property, Inventory	6,211,054	0.11%	49,000	0.00%	49,000	0.00%
Real Property, Special Inventory	40,662,612	0.69%	39,256,666	0.68%	41,261,472	0.87%
Vacant Right of Way	5,281,557	0.09%	5,205,990	0.09%	-	0.00%
Total Appraised Value Before Exemptions	\$ 5,861,154,269	100.00%	\$ 5,731,935,532	100.00%	\$ 4,742,998,852	100.00%
Less: Total Exemptions/Reductions	(1,214,766,025)		(1,115,577,351)		(613,750,062)	
Plus: Minimum Value of Protests	(69,842,562)		(171,285,807)		249,766,609	
Taxable Assessed Value	<u>\$ 4,576,545,682</u>		<u>\$ 4,445,072,374</u>		<u>\$ 4,379,015,399</u>	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2023		2022	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 2,778,923,010	64.86%	\$ 2,614,946,343	58.79%
Real, Residential, Multi-Family	434,417,408	10.14%	369,651,939	8.31%
Real, Vacant Lots/Tracts	15,320,708	0.36%	31,328,272	0.70%
Real, Acreage (Land Only)	2,494	0.00%	3,575,993	0.08%
Real, Farm and Ranch Improvements	102,090		188,131	0.00%
Real, Commercial	846,402,344	19.76%	1,152,265,330	25.91%
Real, Industrial	16,231,801	0.38%	22,431,747	0.50%
Real, Oil, Gas, Mineral Reserve	3,281,220	0.08%	567,390	0.01%
Real and Tangible Personal, Utilities	36,994,453	0.86%	40,125,313	0.90%
Tangible Personal, Commercial	109,765,542	2.56%	175,096,829	3.94%
Tangible Personal, Industrial	19,810,195	0.46%	3,560,459	0.08%
Real and Tangible Personal, Mobile Homes	885,261	0.02%	899,335	0.02%
Real Property, Inventory	-	0.00%	40,000	0.00%
Real Property, Special Inventory	22,288,093	0.52%	28,092,374	0.63%
Vacant Right of Way	-	0.00%	5,141,082	0.12%
Total Appraised Value Before Exemptions	\$ 4,284,424,619	100.00%	\$ 4,447,910,537	100.00%
Less: Total Exemptions/Reductions	(581,434,382)		(966,528,579)	
Plus: Minimum Value of Protests	260,210,110		92,125,662	
Taxable Assessed Value	<u>\$ 3,963,200,347</u>		<u>\$ 3,573,507,620</u>	

NOTE: Valuations shown are certified taxable assessed values reported by the Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

TABLE 3 - VALUATION AND TAX SUPPORTED DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	Tax Debt Outstanding at End of Year	Ratio Tax Debt to Taxable Assessed Valuation	Funded Debt Per Capita
2022	38,930	\$ 3,573,507,620	\$ 91,793	\$ 55,050,000	1.54%	\$ 1,414
2023	40,430	3,963,200,347	98,026	50,420,000	1.27%	1,247
2024	40,452	4,379,015,399	108,252	49,985,000	1.14%	1,236
2025	40,454	4,445,072,374	109,880	50,080,000	1.13%	1,238
2026	40,454	4,576,545,682	113,130	51,650,000 ⁽³⁾	1.13% ⁽³⁾	1,277 ⁽³⁾

- (1) Source: North Central Texas Council of Governments.
- (2) As reported by the Appraisal District.
- (3) Projected, includes the Obligations. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY, AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	Distribution		Tax Levy	% of Current Tax Collections to Tax Levy	% of Total Tax Collections to Tax Levy
		General Fund	Interest and Sinking Fund			
2022	\$ 0.6251590	\$ 0.5167940	\$ 0.1083650	\$ 20,769,009	99.51%	99.52%
2023	0.6140430	0.5137530	0.1002900	22,118,653	99.28%	99.08%
2024	0.5811500	0.4955720	0.0855780	23,047,172	99.37%	99.76%
2025	0.5913240	0.5089900	0.0823340	24,076,375	98.89%	98.74%
2026	0.6118820	0.5286260	0.0832560	25,734,709	94.70% ⁽¹⁾	95.00% ⁽¹⁾

- (1) Collections for partial year only, through May 15, 2026.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2025/26 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Melvin Simon & Associates, Inc.	Shopping Mall	\$ 102,534,441	2.24%
Shops at Northeast Mall LLC	Shopping Mall	77,000,000	1.68%
Westdale Hills 2013 LP	Apartments	71,094,035	1.55%
Cooks Creek 255 LLC	Apartments	52,850,000	1.15%
WWC LII LP	Apartments	36,000,000	0.79%
Mayfair Station LLC	Office Complex	23,818,937	0.52%
MLG/MA Heritage TIC II LLC	Apartments	23,500,000	0.51%
Art Apartments at Park Place	Apartments	22,000,000	0.48%
Atmos Energy/Mid Tex Division	Utility	20,285,003	0.44%
Texcan Ventures	Finance	20,000,000	0.44%
		<u>\$ 449,082,416</u>	<u>9.81%</u>

GENERAL OBLIGATION DEBT LIMITATION . . . No general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter however, the maximum tax rate of the City pursuant to its Home Rule Charter is \$1.50 per \$100 taxable assessed valuation (see "THE OBLIGATIONS – Tax Rate Limitation").

TABLE 6 - TAX ADEQUACY ⁽¹⁾

2026 Net Principal and Interest Requirements	\$ 3,377,282
\$0.0743 Tax Rate at 99.39% Collection Produces	\$ 3,379,631
Average Annual Net Principal and Interest Requirements, 2026 - 2046	\$ 2,160,994
\$0.0476 Tax Rate at 99.39% Collection Produces	\$ 2,165,147
Maximum Net Principal and Interest Requirements, 2027	\$ 3,517,912
\$0.0774 Tax Rate at 99.39% Collection Produces	\$ 3,520,639

(1) Includes the obligations. Preliminary, subject to change.

TABLE 7 - ESTIMATED OVERLAPPING DEBT

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. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Jurisdiction	2025/26	2025/26	Total	Estimated	City's	Authorized
	Taxable				Tax	G.O.
	Assessed	Rate	G.O.	%	G.O. Debt	Debt as of
	Value		Debt	Applicable	As of 5/15/26	5/15/2026
City of Hurst	\$ 4,576,545,682	\$ 0.611882	\$ 34,525,000 ⁽¹⁾	100.00%	\$ 34,525,000 ⁽¹⁾	\$ 3,100,000
Birdville Independent School District	14,548,713,164	1.187000	535,345,000	9.09%	48,662,861	475,487,500
Grapevine-Colleyville Independent School District	22,322,473,907	0.869000	349,120,000	0.63%	2,199,456	39,890,000
Hurst-Eules-Bedford Independent School District	20,406,317,174	1.029000	813,765,000	14.05%	114,333,983	397,300,000
Keller Independent School District	25,505,703,244	1.085000	627,815,000	0.24%	1,506,756	-
Tarrant County	298,706,022,035	0.186000	314,050,000	1.60%	5,024,800	205,600,000
Tarrant Co College District	326,653,911,760	0.112000	547,535,000	1.60%	8,760,560	125,000,000
Tarrant County Hospital District	299,238,327,647	0.165000	429,425,000	1.60%	<u>6,870,800</u>	350,000,000
Total Direct and Overlapping G.O. Debt					\$ 221,884,215	
Ratio of Direct and Overlapping G.O. Debt to Taxable Assessed Valuation					4.85%	
Per Capita Direct and Overlapping G.O. Debt					\$ 5,485	

(1) Includes the Obligations; does not include self-supporting debt. Preliminary, subject to change.

TABLE 8 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt Service ⁽¹⁾		The Bonds ⁽²⁾		The Certificates ⁽³⁾		Total Outstanding Debt	Water and Sewer Self-Supporting Requirements	Hotel Occupancy Tax Self-Supporting Requirements	Sales Tax Self-Supporting Requirements	Total Debt Service Less Self-Supporting Requirements	% of Principal Retired
	Principal	Interest	Principal	Interest	Principal	Interest						
2026	\$ 4,405,000	\$ 1,667,061	\$ -	\$ -	\$ -	\$ -	\$ 6,072,061	\$ 1,107,647	\$ 361,200	\$ 1,225,933	\$ 3,377,282	
2027	2,905,000	1,045,452	1,065,000	568,225	295,000	323,413	6,202,090	1,115,046	355,692	1,213,441	3,517,912	
2028	2,265,000	958,446	1,110,000	519,750	310,000	311,381	5,474,578	920,607	357,000	1,213,333	2,983,638	
2029	2,335,000	892,633	875,000	464,250	325,000	295,881	5,187,765	787,018	356,500	1,219,583	2,824,664	
2030	1,995,000	827,827	910,000	420,500	340,000	279,631	4,772,959	519,024	355,500	1,213,008	2,685,427	34.14%
2031	2,050,000	767,621	960,000	375,000	355,000	262,631	4,770,252	515,955	359,000	1,224,345	2,670,952	
2032	2,115,000	704,853	995,000	327,000	375,000	244,881	4,761,735	517,344	351,750	1,213,493	2,679,148	
2033	2,175,000	640,012	1,055,000	277,250	390,000	226,131	4,763,394	512,948	354,250	1,221,373	2,674,823	
2034	2,245,000	572,604	1,100,000	224,500	245,000	206,631	4,593,736	508,010	356,000	1,217,063	2,512,663	
2035	1,810,000	502,409	1,160,000	169,500	260,000	194,381	4,096,290	518,480	352,000	704,500	2,521,310	64.98%
2036	1,860,000	448,167	940,000	111,500	270,000	181,381	3,811,048	437,900	347,500	704,000	2,321,648	
2037	1,915,000	393,745	635,000	64,500	285,000	167,881	3,461,126	436,998	352,500	347,000	2,324,629	
2038	1,975,000	334,820	655,000	32,750	300,000	153,631	3,451,201	435,673	346,500	341,250	2,327,779	
2039	1,960,000	273,024	-	-	315,000	138,631	2,686,655	358,738	-	-	2,327,918	
2040	1,400,000	210,061	-	-	330,000	122,881	2,062,942	357,538	-	-	1,705,404	87.89%
2041	1,445,000	162,962	-	-	345,000	106,381	2,059,343	355,725	-	-	1,703,618	
2042	1,490,000	113,978	-	-	365,000	89,131	2,058,109	353,500	-	-	1,704,609	
2043	575,000	63,013	-	-	380,000	70,881	1,088,894	355,863	-	-	733,031	
2044	600,000	39,250	-	-	400,000	54,731	1,093,981	357,600	-	-	736,381	
2045	340,000	14,450	-	-	415,000	37,731	807,181	213,713	-	-	593,469	99.22%
2046	-	-	-	-	435,000	19,575	454,575	-	-	-	454,575	100.00%
	<u>\$ 37,860,000</u>	<u>\$ 10,632,386</u>	<u>\$ 11,460,000</u>	<u>\$ 3,554,725</u>	<u>\$ 6,735,000</u>	<u>\$ 3,487,801</u>	<u>\$ 73,729,912</u>	<u>\$ 10,685,324</u>	<u>\$ 4,605,392</u>	<u>\$ 13,058,318</u>	<u>\$ 45,380,878</u>	

(1) "Outstanding Debt" includes self-supporting debt. Preliminary, subject to change.

(2) Average life of the issue – 6.204 Years. Interest on the Bonds has been calculated at the average rate of 3.53% for purposes of illustration. Preliminary, subject to change.

(3) Average life of the issue – 10.937 Years. Interest on the Certificates has been calculated at the average rate of 4.12% for purposes of illustration. Preliminary, subject to change.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Net General Purpose Debt Service Requirements, Fiscal Year Ending 9/30/26		\$ 3,377,282
General Fund Interest and Sinking Fund Balance, as of 9/30/25	\$ 411,992	
2025/26 Budgeted General Fund Interest and Sinking Fund Tax Levy Collection	3,833,874	
Delinquent Collections	10,000	
Estimated Interest Income	9,803	
Collection and Tax Freeze Allowance	(449,494)	3,816,175
Ending Fund Balance, 9/30/26		<u>\$ 438,893</u>

TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT ⁽¹⁾

<u>Waterworks and Sewer System</u>	
Net Revenues available from Waterworks and Sewer System, Fiscal Year 9-30-25	\$ 2,547,312
Less: Revenue Bond Requirements, 2026 Fiscal Year	<u>-</u>
Balance Available for other purposes	\$ 2,547,312
System General Obligation Bond Requirements, 2026 Fiscal Year	<u>1,107,647</u>
Balance	<u>\$ 1,439,665</u>
Percentage of System General Obligation Bonds Self-Supporting	100.00%
<u>Community Services Development Corporation (4B Sales Tax)</u>	
Net Revenues Available from Community Services Development Corporation, Fiscal Year 9-30-25	\$ 1,289,033
Less: Revenue Bond Requirements, 2026 Fiscal Year	<u>-</u>
Balance Available for other purposes	\$ 1,289,033
CSDC General Obligation Bond Requirements, 2026 Fiscal Year	<u>1,225,933</u>
Balance	<u>\$ 63,100 ⁽²⁾</u>
Percentage of CSDC General Obligation Bonds Self-Supporting	100.00%
<u>Hotel/Motel Tax</u>	
Net Revenues Available from Hotel/Motel Fund, Fiscal Year 9-30-25	\$ 364,974
Hotel/Motel General Obligation Bond Requirements, 2026 Fiscal Year	<u>361,200</u>
Balance	<u>\$ 3,774</u>
Percentage of Hotel/Motel General Obligation Bonds Self-Supporting	100.00%

- (1) General obligation debt in the amounts shown for which repayment is provided from (i) Net Revenues of the System, (ii) hotel occupancy taxes, and/or (iii) 4B sales tax revenue. The amount of self-supporting debt is based on the percentages of the respective revenue support as shown in Table 10. It is the City's current policy to provide these payments from (i) Net Revenues of the System, (ii) hotel occupancy taxes, and/or (iii) 4B sales tax revenues; provided, this policy is subject to change in the future. In the event payment is not made from such Net Revenues, the City will be required to assess an ad valorem tax sufficient to make such payments.
- (2) Sales tax revenue can be volatile and is generally not subject to the control of the City; no assurance can be given that the 4B sales tax revenue that is anticipated to be used to pay debt service will be sufficient in any future year for that purpose. If the amount collected is not sufficient to pay 4B sales tax revenue bond debt requirements, the City would be required to pay debt service payments from other lawfully-available sources, including financial reserves, if any, or levy an ad valorem tax to make the payment.

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

<u>Purpose</u>	<u>Date Authorized</u>	<u>Amount Authorized</u>	<u>Amount Heretofore Issued</u>	<u>Amount Being Issued</u>	<u>Unissued Balance</u>
Street and Drainage	11-08-05	\$ 4,000,000	\$ 2,600,000	\$ -	\$ 1,400,000 ⁽¹⁾
Athletic Facility	11-08-05	1,700,000	-	-	1,700,000 ⁽¹⁾
		<u>\$ 5,700,000</u>	<u>\$ 2,600,000</u>	<u>\$ -</u>	<u>\$ 3,100,000</u>

- (1) At this time, the City does not intend to issue this authorization.

TABLE 12 – OTHER OBLIGATIONS

LOAN FROM DIRECT BORROWING

During 2020, the City entered into a loan agreement with First National Bank of Texas for \$575,000, Series 2020 Public Property Finance Contractual Obligation. The loan is due in annual installments of \$75,000 to \$90,000 through 2027, plus interest of 2.75%. The balance due as of September 30, 2025 is \$170,000.

LEASE LIABILITY

The City leases equipment to conduct its operations, the terms of which expires 2027 and 2033. The measurement of the lease payables is based on the present value of lease payments expected to be paid during the lease term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentive payable to the lessee.

As of September 30, 2025, the value of the lease liabilities was \$1,288,861. An incremental borrowing rate of 5 percent was used to measure the lease liabilities. The value of the right-to-use assets as of September 30, 2025 was \$1,698,857 and had accumulated amortization of \$283,540.

The future principal and interest payments for lease liabilities as of September 30, 2025, are as follows:

Year Ending September 30,	Governmental Activities		Total Requirements
	Principal	Interest	
2026	\$ 160,594	\$ 62,929	\$ 223,523
2027	168,810	54,558	223,368
2028	140,645	47,322	187,967
2029	147,841	40,036	187,877
2030	155,405	32,378	187,783
2031-2033	515,566	47,160	562,726
Total	<u>\$ 1,288,861</u>	<u>\$ 284,383</u>	<u>\$ 1,573,244</u>

SUBSCRIPTION LIABILITY

The City has subscription IT arrangements to conduct its operations, the terms of which expire 2026 through 2029. The measurement of the subscription liabilities is based on the present value of subscription payments expected to be paid during the subscription term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any subscription incentives payable.

At September 30, 2025, the value of the subscription liabilities was \$446,998 and \$87,027 for governmental and business-type activities, respectively. An incremental borrowing rate of 5 percent was used to measure subscription liabilities. The value of the right-to-use subscription assets as of September 30, 2025, was \$2,458,982 and \$118,560 for governmental and business-type activities, respectively, and had accumulated amortization of \$1,559,273 and \$4,940 for governmental and business-type activities, respectively.

The future principal and interest payments for subscription liabilities as of September 30, 2025, are as follows:

Year Ending September 30,	Governmental Activities			Business-Type Activities		Total Requirements
	Principal	Interest	Total Requirements	Principal	Interest	
2026	\$ 249,273	\$ 14,834	\$ 264,107	\$ 27,574	\$ 4,452	\$ 32,026
2027	170,046	2,592	172,638	28,985	3,042	32,027
2028	19,589	819	20,408	30,468	1,559	32,027
2029	8,090	210	8,300	-	-	-
Total	<u>\$ 446,998</u>	<u>\$ 18,455</u>	<u>\$ 465,453</u>	<u>\$ 87,027</u>	<u>\$ 9,053</u>	<u>\$ 96,080</u>

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . The City does not anticipate issuing additional general obligation debt within the next 12 months.

PENSION FUND . . . The City participates as one of over 900 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the *TMRS Act*, Subtitle G, Title 8, Texas Government Code (TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at *tmrs.com*.

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

Benefits Provided: - TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the Member's benefit is calculated as if the sum of the Member's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

Plan provisions for the City follow:

Employee deposit rate:	7.00%
Matching Ratio (City to Employee):	2 to 1
Years required for vesting	5 Years
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated service credit	100% repeating
Annuity increase to retirees*:	30% of CPI-U

* TMRS allows cities to calculate Cost of Living Adjustments (COLAs) for retirees on an annual or ad hoc basis. The City has opted for the ad hoc basis calculation.

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	358
Inactive employees entitled to but not yet receiving benefits	258
Active employees	<u>351</u>
	967

Contributions — Member contribution rates in TMRS are either 5%, 6%, or 7% of the Member's total compensation, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City of Hurst were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City of Hurst were 14.66% and 13.75% in calendar years 2025 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were \$4,479,609 and were equal to the required contributions.

Net Pension Liability — The City's Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions: - The total pension liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurements unless otherwise specified:

Investment rate of return	6.75%, net of pension plan investment expense, including inflation
Inflation	2.50%
Overall payroll growth	2.75% per year, adjusted down for population declines, if any

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB (10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Global equity	35.00%	7.10%
Core fixed income	6.00%	5.00%
Non-core fixed income	6.00%	6.80%
Hedge funds	5.00%	6.40%
Private equity	13.00%	8.50%
Private debt	13.00%	8.20%
Real estate	12.00%	6.70%
Infrastructure	6.00%	6.00%
Other private markets	4.00%	7.30%
Total	<u>100.00%</u>	

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

Changes in the Net Pension Liability	Total Pension Liability (a)	Plan Fiduciary Assets (b)	Net Pension Liability (a) - (b)
Balance at October 1, 2024	\$ 213,929,552	\$ 182,917,057	\$ 31,012,495
Changes for the year:			
Service Cost	5,041,354	-	5,041,354
Interest	14,188,003	-	14,188,003
Difference between expected and actual experience	3,267,431	-	3,267,431
Contributions - employer	-	4,222,313	(4,222,313)
Contributions - employee	-	2,165,880	(2,165,880)
Net investment income	-	18,946,266	(18,946,266)
Benefit payments, including refunds of employee contributions	(12,515,171)	(12,515,171)	-
Administrative expense	-	(121,892)	121,892
Other changes	-	(2,850)	2,850
Net Changes	<u>9,981,617</u>	<u>12,694,546</u>	<u>(2,712,929)</u>
Balance at September 30, 2025	<u>\$ 223,911,169</u>	<u>\$ 195,611,603</u>	<u>\$ 28,299,566</u>

The following presents the net pension liability of the City, calculated using the discount rate of 6.75% as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	<u>\$ 56,971,416</u>	<u>\$ 28,299,566</u>	<u>\$ 4,495,801</u>

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions . . . For the year ended September 30, 2025, the City recognized a pension expense of \$6,814,559.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,011,352	\$ -
Changes of assumptions	-	464,200
Net difference between projected and actual earnings on pension plan investments	-	1,734,613
Contributions subsequent to the measurement date	3,253,428	-
Total	<u>\$ 7,264,780</u>	<u>\$ 2,198,813</u>

\$3,253,428 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30,	Net Deferred Outflows/ (Inflows) of Resources
2026	\$ 2,152,104
2027	3,480,765
2028	(2,500,457)
2029	(1,319,873)
Total	<u>\$ 1,812,539</u>

OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City offers retired employees and their dependents the option to retain health and dental insurance coverage under the City's plan through a single employer defined benefit OPEB plan administered by the City of Hurst Post-Retirement Health Care Plan Trust. Public Agency Retirement Services (PARS) is the Trust Administrator. The governing body of the Trust is composed of a coalition of member public agencies. Each member public agency appoints its individual plan administrator to serve as a member of the governing body. Certain provisions of the Trust may be changed by a two-thirds vote of the members of the governing body.

The plan does not issue a stand-alone financial report. For inquiries relating to the plan, please contact: The City Finance Office at 1505 Precinct Line Road, Hurst, Texas, 76054. A more detailed description of the plan as follows:

Eligibility. The benefit is available to retirees and their spouses.

An employee must resign and satisfy the requirements for service retirement under the TMRS with at least 10 years of consecutive full-time service with the City immediately prior to retirement or, effective 4/1/2002, have a minimum of 25 years of full-time service with the City including a minimum of eight consecutive years of full-time service with the City immediately prior to retirement.

A retiree or his/her spouse is INELIGIBLE for coverage if he or she is eligible for any other group coverage through employment and will be required to certify this information.

A retiree/spouse who is not eligible when the employee retires is not eligible to rejoin at a later date. And if an eligible retiree/spouse waives coverage at any time, they are not eligible for reinstatement in the future.

Benefits Provided. AFTER AGE 65 – Enroll in Medicare Advantage Plan, currently Humana. For each qualified retiree/spouse the City will contribute to the cost of a Group Medicare Advantage Plan for the eligible retiree/spouse in lieu of coverage through the City of Hurst Retiree Health Plan (retiree/spouse must be eligible to enroll). Eligible participating retirees and spouses age 65+ have the option to select a supplementary medigap policy or another Medicare Advantage plan of their choice and the City will reimburse the retiree and/or spouse what the City would have contributed for the retiree and/or spouse to the currently provided Medicare Advantage plan with documentation of the retiree's and/or spouse's monthly payment for the alternative policy/plan. The retiree and/or spouse will be responsible for the remainder of the premium. Eligible retirees/spouses must enroll in Medicare once eligible and pay the Medicare premiums.

BEFORE AGE 65 – Enroll in the City’s Retiree Health Plan. The City will contribute to the cost of the eligible retiree/spouse/dependent coverage. The eligible retiree will also contribute towards this coverage and the cost will vary based on the eligible retiree’s years of consecutive full-time service to the City immediately prior to TMRS service retirement and level of coverage. Upon reaching the age of 65, the retiree/spouse will have the After Age 65 options listed above.

Surviving Dependents. If an eligible retiree and his/her eligible dependents are covered by the City of Hurst Retiree Health Plan and the retiree dies:

The surviving spouse may continue as a survivor under the plan up to age 65. He/she may continue eligible dependent coverage with the City’s plan by paying the applicable retiree/dependent cost based on the retiree’s years of consecutive service with the City of Hurst immediately prior to the eligible retiree’s TMRS service retirement. Surviving spouses/dependents must continue to meet eligibility requirements.

At age 65, the surviving spouse may be covered by the City’s Medicare Advantage plan in effect at the time by paying 100% of the Medicare Advantage premium as long as he/she continues to meet eligibility requirements. Retiree reimbursement option is not available to surviving spouses.

Life Insurance . . . Effective for employees retiring 10/1/1997 or later, the City continues life insurance for the retiree at 50% of the City provided life insurance the retiree had as an active employee at no cost to the retiree. Effective October 1, 2011, the maximum retiree life insurance is \$75,000. The amount of retiree life insurance coverage is subject to the same percentage reductions as active employees at age 70 or older.

Dental . . . Eligible retirees may continue the dental coverage they had for themselves and their eligible dependents on their date of retirement by paying 100% of the premium. There is no City contribution.

IMPORTANT NOTICE: THE CITY RESERVES THE RIGHT TO AMEND, MODIFY, AND/OR TERMINATE ITS PARTICIPATION WITH RETIREE COVERAGE AT ANY TIME. NO PERSON SHALL BE VESTED IN ANY RIGHT UNDER THE POLICY OF RETIREE COVERAGE.

A measurement date of December 31, 2024, was used for the September 30, 2025, liability and expense. The information that follows was determined as of a Valuation date of December 31, 2023.

At December 31, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	195
Active employees	<u>332</u>
Total employees	<u><u>527</u></u>

The City manager has the authority to establish and amend the benefit terms of the OPEB plan. Though the City has established a trust under the OPEB plan, the City employs a pay-as-you-go method for funding annually required benefit payments.

Investments . . . The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation are summarized in the Asset Class table below.

Investment Policy . . . The plan’s policy in regard to the allocation of invested assets is established by the City. The current asset allocation policy at the end of 2024 is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>
Equity	54.00%
Diversifying	6.00%
Fixed Income	38.00%
Cash	<u>2.00%</u>
Total	<u><u>100.00%</u></u>

Concentrations . . . All of the Plan’s investments are held with Public Agency Retirement Services in the Balanced Strategy Growth Fund.

Rate of Return . . . For the year ended December 31, 2024, the annual money-weighted rate of return on investments, net of investment expense, was 11.09 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability – The City’s net OPEB liability of \$17,117,464 (\$13,647,754 governmental activities and \$3,469,710 business-type activities) was measured as of December 31, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2023.

Actuarial Methods and Assumptions . . . The total OPEB liability in the December 31, 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Individual Entry-Age Normal
Discount Rate	5.59% as of December 31, 2024 (5.36% as of December 31, 2023)
Inflation	2.50%
Salary Increase	3.60% to 11.85%, including inflation
Demographic Assumptions	Based on the 2023 experience study conducted for the Texas Municipal Retirement System (TMRS).
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used with male rates multiplied by 103% and female rates multiplied by 105%. The rates are projected on a fully generational basis using the ultimate mortality rates in the MP-2021 table to account for future mortality improvements.
Health Care Trend Rates	Initial rate of 7.20% declining to an ultimate rate of 4.25% after 15 years
Participation Rates	Participation rates vary based on years of City service. For employees with over 20 years of City service, participation rates vary from 35% to 95%.

Discount Rate . . . Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan’s fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of developing the single discount rate, the City’s future contributions were based on a 30-year, open amortization. Based on this funding policy, the last year in the single discount rate projection period for which projected benefit payments were fully funded was 2051.

For the purpose of the December 31, 2024 valuation, the expected rate of return on OPEB plan investments is 6.50%; the municipal bond rate is 4.08% (based on the daily rate closest to but not later than the measurement date of the Fidelity “20-Year Municipal GO AA Index”); and the resulting Single Discount Rate of 5.59%.

Changes in the Net OPEB Liability:

Changes in the Net OPEB Liability	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at December 31, 2023	\$ 24,773,567	\$ 7,401,247	\$ 17,372,320
Changes for the year:			
Service Cost	830,344	-	830,344
Interest	1,318,287	-	1,318,287
Difference between expected and actual experience	200,788	-	200,788
Changes of assumptions	(619,972)	-	(619,972)
Contributions - employer	-	1,205,350	(1,205,350)
Net investment income	-	796,648	(796,648)
Benefit payments	(1,187,655)	(1,187,655)	-
Administrative expense	-	(17,695)	17,695
Net Changes	<u>541,792</u>	<u>796,648</u>	<u>(254,856)</u>
Balance at December 31, 2024	<u>\$ 25,315,359</u>	<u>\$ 8,197,895</u>	<u>\$ 17,117,464</u>

The plan’s Fiduciary Net Position as a percentage of Total OPEB Liability was 32.38% at September 30, 2025.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rates: The net OPEB liability of the City has been calculated using a discount rate of 5.59%. The following presents the net OPEB liability using the discount rate of 1% higher and 1% lower than the current discount rate.

	1% Decrease in Discount Rate (4.59%)	Current Discount Rate Assumption	1% Increase in Discount Rate (6.59%)
Net OPEB Liability	\$ 19,961,637	\$ 17,117,464	\$ 14,638,604

The net OPEB liability of the City has been calculated using the assumed health care cost trend rates of 7.20% decreasing to 4.25%. The following presents the net OPEB liability using health care cost trend rate 1% higher and 1% lower than the current health care cost trend rates.

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
Net OPEB Liability	\$ 14,859,968	\$ 17,117,464	\$ 19,789,976

OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended September 30, 2025, the City recognized OPEB expense of \$1,642,314. At September 30, 2025, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 850,696	\$ 596,311
Changes of assumptions	1,872,782	1,842,772
Net Difference between projected and actual earnings on OPEB Investments	6,410	-
Contributions subsequent to the measurement date	1,023,888	-
Total	<u>\$ 3,753,776</u>	<u>\$ 2,439,083</u>

Contributions subsequent to the measurement date of \$1,023,888 will be recognized as a reduction of the net OPEB liability in the year ending September 30, 2026.

Other amounts reported as deferred outflows and inflows or resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended September 30,</u>	Net Deferred Outflows/ (Inflows) of Resources
2026	\$ 7,915
2027	400,193
2028	62,680
2029	(158,874)
2030	(7,669)
Thereafter	(13,440)
Total	<u>\$ 290,805</u>

FINANCIAL INFORMATION

TABLE 13 – CHANGES IN NET POSITION

	Fiscal Year Ended September 30,				
	2025	2024	2023	2022	2021
Revenues:					
<u>Program Revenues</u>					
Charges for Services	\$ 6,878,351	\$ 4,987,048	\$ 4,330,476	\$ 5,078,640	\$ 3,547,125
Grants and Contributions	1,862,398	3,633,284	2,587,378	1,516,275	1,889,171
<u>General Revenues</u>					
Property Taxes	23,832,089	23,090,993	22,070,415	20,699,923	20,519,930
Other Taxes	28,240,311	27,801,516	28,207,219	27,914,109	24,557,219
Other	5,300,414	6,190,914	4,696,774	8,222,303	1,219,857
Total Revenues	\$ 66,113,563	\$ 65,703,755	\$ 61,892,262	\$ 63,431,250	\$ 51,733,302
Expenses:					
General Government	\$ 6,283,914	\$ 9,616,217	\$ 7,937,133	\$ 4,109,697	\$ 4,958,838
Public Safety	32,664,842	30,952,740	33,012,865	25,461,659	24,389,940
Culture and Recreation	14,202,361	13,381,888	11,800,248	11,639,982	11,383,530
Public Works	7,117,257	4,967,470	4,736,648	4,958,387	4,116,324
Interest Expense	1,356,034	1,384,263	1,432,656	1,476,018	1,724,654
Water and Sewer Services	49,577	7,283,487	-	-	-
Total Expenses	\$ 61,673,985	\$ 67,586,065	\$ 58,919,550	\$ 47,645,743	\$ 46,573,286
Increase (Decrease) in Net Position	\$ 4,439,578	\$ (1,882,310)	\$ 2,972,712	\$ 15,785,507	\$ 5,160,016
Net Position - October 1	158,292,596	160,174,906	157,202,194	141,416,687	136,256,671
Net Position - September 30	<u>\$ 162,732,174</u>	<u>\$ 158,292,596</u>	<u>\$ 160,174,906</u>	<u>\$ 157,202,194</u>	<u>\$ 141,416,687</u>

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TABLE 13A - GENERAL FUND REVENUES AND EXPENDITURES HISTORY

	Fiscal Year Ended September 30,				
	2025	2024	2023	2022	2021
Revenues					
Taxes	\$ 36,374,344	\$ 35,245,588	\$ 34,302,648	\$ 32,864,809	\$ 30,066,333
Licenses and Permits	3,673,610	1,150,498	1,039,614	861,582	861,307
Intergovernmental	1,260,949	1,525,792	1,159,588	10,736,472	1,003,936
Charges for Services	2,999,595	2,393,911	2,286,995	2,349,819	1,620,203
Fines	526,940	512,195	459,759	620,296	700,005
Miscellaneous (Primarily Interest)	1,685,911	1,771,933	1,583,709	179,128	404,698
Total Revenues	<u>\$ 46,521,349</u>	<u>\$ 42,599,917</u>	<u>\$ 40,832,313</u>	<u>\$ 47,612,106</u>	<u>\$ 34,656,482</u>
Expenditures					
General Government	\$ 4,269,573	\$ 4,024,462	\$ 3,916,842	\$ 3,742,862	\$ 3,582,356
Public Safety	23,901,822	22,780,335	21,681,269	19,891,549	18,666,861
Culture and Recreation	7,045,981	6,831,372	6,278,140	6,084,570	6,186,065
Public Works	3,986,666	3,022,584	2,773,546	3,046,937	2,453,902
Capital Outlay	314,057	1,930,640	-	-	-
Debt Service	233,009	110,917	-	-	-
Total Expenditures	<u>\$ 39,751,108</u>	<u>\$ 38,700,310</u>	<u>\$ 34,649,797</u>	<u>\$ 32,765,918</u>	<u>\$ 30,889,184</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 6,770,241	\$ 3,899,607	\$ 6,182,516	\$ 14,846,188	\$ 3,767,298
Other Financing Sources:					
Lease and Subscription	\$ -	\$ 1,341,637	\$ 130,686	\$ -	\$ -
Subscription issued	-	-	284,915	-	-
Proceeds from sale of capital assets	1,428	4,128	-	-	-
Net Transfers	(5,196,805) ⁽¹⁾	(13,340,287) ⁽²⁾	(5,117,447) ⁽³⁾	(2,648,328) ⁽⁴⁾	(3,513,748) ⁽⁵⁾
Total Other Financing Sources	<u>\$ (5,195,377)</u>	<u>\$ (11,994,522)</u>	<u>\$ (4,701,846)</u>	<u>\$ (2,648,328)</u>	<u>\$ (3,513,748)</u>
Net Increase (Decrease) Adjustments	\$ 1,574,864	\$ (8,094,915)	\$ 1,480,670	\$ 12,197,860	\$ 253,550
Beginning Fund Balance	<u>21,298,248</u>	<u>29,393,163</u>	<u>27,912,493</u>	<u>15,714,633</u>	<u>15,461,083</u>
Ending Fund Balance	<u>\$ 22,873,112</u>	<u>\$ 21,298,248</u>	<u>\$ 29,393,163</u>	<u>\$ 27,912,493</u>	<u>\$ 15,714,633</u>

(1) Excess of revenues over expenditures in the amount of \$4,442,692 was transferred to the Special Projects Fund pursuant to the City's policy of transferring excess general fund revenues at year-end to the Special Projects Fund. An additional \$1,124,472 was transferred from the General Fund to the Loss Reserve Fund.

(2) Excess of revenues over expenditures in the amount of \$3,406,198 was transferred to the Special Projects Fund pursuant to the City's policy of transferring excess general fund revenues at year-end to the Special Projects Fund. An additional \$606,584 was transferred from the General Fund to the Loss Reserve Fund.

(3) Excess of revenues over expenditures in the amount of \$4,075,886 was transferred to the Special Projects Fund pursuant to the City's policy of transferring excess general fund revenues at year-end to the Special Projects Fund. An additional \$1,000,000 was transferred from the General Fund to the Loss Reserve Fund.

(4) Excess of revenues over expenditures in the amount of \$11,687,418 was transferred to the Special Projects Fund pursuant to the City's policy of transferring excess general fund revenues at year-end to the Special Projects Fund. An additional \$150,449 was transferred from the General Fund to the Loss Reserve Fund.

(5) Excess of revenues over expenditures in the amount of \$2,334,000 was transferred to the Special Projects Fund pursuant to the City's policy of transferring excess general fund revenues at year-end to the Special Projects Fund. An additional \$449,013 was transferred from the General Fund to the Information Technology fund, and \$288,949 was transferred to the Loss Reserve Fund.

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TABLE 14 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, V.T.C.A., Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Obligations. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. On January 16, 1993, the voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (½ of 1%) for economic development. On September 9, 1995, the voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (½ of 1%) for anti-crime measures. The sales tax for economic development is collected solely for the benefit of the Hurst Community Services Development Corporation (the "Corporation"), and may be pledged to secure payment of sales tax revenue bonds issued by the Corporation.

Table 14, below, sets forth the amounts collected from the City's general 2% sales tax for the periods shown.

Fiscal Year Ended 9/30	Total Collected ⁽¹⁾	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2022	\$ 24,292,054	116.96%	\$ 0.6798	\$ 624
2023	24,491,658	110.73%	0.6180	606
2024	24,289,712	105.39%	0.5547	600
2025	24,881,102	103.34%	0.5597	615
2026	17,380,392 ⁽²⁾	67.54%	0.3798	430

(1) Gross collections include 1 cent Sales and Use Tax, ½ cent Anti-Crime Tax and ½ cent Sales Tax collected for the benefit of the Hurst Community Services Development Corporation.

(2) Gross collections through May 15, 2026.

The sales tax breakdown for the City is as follows:

Anti-Crime	0.50¢
Economic and Community Development	0.50¢
City Sales and Use Tax	1.00¢
State Sales and Use Tax	<u>6.25¢</u>
Total	<u>8.25¢</u>

As noted in "Table 14 - Municipal Sales Tax History," above, in comparison to the revenues produced by the City through the exercise of its ad valorem taxation powers, the City funds a large portion of its operating budget through the collection of sales taxes. Sales tax revenues typically fluctuate in direct proportion to changes in general and local economic conditions, especially when compared to changes in the ad valorem tax base. In response to such economic changes, sales tax revenues also tend to change more quickly than the value of property against which ad valorem taxes are levied.

FINANCIAL POLICIES

Basis of Accounting . . . The City's accounting records of the governmental fund revenues and expenditures are recognized on the modified accrual basis. Revenues are recognized in the accounting period in which they are available and measurable. Expenditures are recognized in the accounting period in which the fund liability occurred, if measurable.

Proprietary Fund revenues and expenses are recognized on the full accrual basis. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized in the accounting period in which they are incurred.

Fund Balances . . . The City attempts to maintain fund balances in an amount adequate to pay 3 months of expenditures.

Use of Bond Proceeds . . . The City's policy is to use bond proceeds for capital expenditures only. Such revenues are never to be used to fund normal City operations.

Budgetary Procedures . . . The City Charter establishes the fiscal year as the twelve-month period beginning each October 1. The City Manager submits a budget of estimated revenues and expenditures for the ensuing fiscal year to the City Council. Subsequently, the City Council will hold work sessions to discuss and amend the budget to coincide with their direction of the City. Various public hearings may be held to comply with state statutes. The City Council will adopt a budget prior to October 1.

During the fiscal year, budgetary control is maintained by the monthly review of departmental appropriation balances. Actual operations are compared to the amounts set forth in the budget. Departmental appropriations that have not been expended lapse at the end of the fiscal year if no disbursement from or encumbrance of the appropriation has been made.

Fund Investments . . . The City investment policy parallels the state laws which govern the investment of public funds. The City generally restricts investments to direct Certificates of the United States Government and to insured or collateralized bank certificates of deposit and investment pools. There is a written investment policy in place.

INVESTMENTS

The City invests its investable funds in investments authorized by Texas law and in accordance with investment policies approved by the City Council. Both state law and the City's investment policies are subject to change.

LEGAL INVESTMENTS. . . Available City funds are invested as authorized by Texas law and in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change. Under State law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in this State that the investing entity selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Insurance Fund or its successor, or are secured as to principal by obligations described in the clauses (1) through (8) or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (14) a no-load money market mutual fund registered with and regulated by the Securities and Exchange Commission that provides the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and complies with federal Securities and Exchange Commission Rule 2a-7; and (15) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally recognized rating service or no lower than investment grade by at least one nationally recognized rating service and has or which has a weighted average maturity no greater than 90 days. The City is specifically prohibited from investing in (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years, and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES . . . Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value, and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS . . . Under Texas law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

TABLE 15 - CURRENT INVESTMENTS

As of May 15, 2026, the City's investable funds were invested in the following categories:

<u>Current Investments</u>	<u>Percent</u>	<u>Market Value</u>
Certificates of Deposit	23.62%	\$ 27,400,000
Government Securities	32.75%	37,986,140
Investment Pools	43.63%	50,607,766
	<u>100.00%</u>	<u>\$ 115,993,906</u>

TAX MATTERS

TAX EXEMPTION . . . The delivery of the Obligations is subject to the opinions of Bond Counsel to the effect that interest on the Obligations for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinions (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. Forms of Bond Counsel's opinions are reproduced as Appendix C. The statutes, regulations, rulings, and court decisions on which such opinions are based are subject to change.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the City made in a certificate dated the date of delivery of the Obligations pertaining to the use, expenditure, and investment of the proceeds of the Obligations and will assume continuing compliance by the City with the provisions of the Ordinances subsequent to the issuance of the Obligations. The Ordinances contain covenants by the City with respect to, among other matters, the use of the proceeds of the Obligations and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Obligations are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Obligations to be includable in the gross income of the owners thereof from the date of the issuance of the Obligations.

Bond Counsel's opinions are not a guarantee of a result, but represent its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinions of Bond Counsel, and Bond Counsel's opinions are not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Obligations is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Obligations would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Obligations, the City may have different or conflicting interests from the owners of the Obligations. Public awareness of any future audit of the Obligations could adversely affect the value and liquidity of the Obligations during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Obligations. Prospective purchasers of the Obligations should be aware that the ownership of tax-exempt obligations such as the Obligations may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust ("FASIT"), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than \$1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer's applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Obligations. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Obligations.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Obligations from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Obligations. Prospective purchasers of the Obligations should consult with their own tax advisors with respect to any proposed or future changes in tax law.

TAX ACCOUNTING TREATMENT OF DISCOUNT AND PREMIUM ON CERTAIN OBLIGATIONS . . . The initial public offering price of certain Obligations (the "Discount Obligations") may be less than the amount payable on such Obligations at maturity. An amount equal to the difference between the initial public offering price of a Discount Obligation (assuming that a substantial amount of the Discount Obligations of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Obligation. A portion of such original issue discount allocable to the holding period of such Discount Obligation by the initial purchaser will, upon the disposition of such Discount Obligation (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Obligations described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Obligation, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Obligation and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Obligation by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Obligation in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Obligation was held) is includable in gross income.

Owners of Discount Obligations should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Obligations for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Obligations. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Obligations may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The purchase price of certain Obligations (the "Premium Obligations") paid by an owner may be greater than the amount payable on such Obligations at maturity. An amount equal to the excess of a purchaser's tax basis in a Premium Obligation over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Obligation in the hands of such purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Obligation. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity (or, in some cases with respect to a callable Obligation, the yield based on a call date that results in the lowest yield on the Obligation).

Purchasers of the Premium Obligations should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Obligations for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Obligations.

CONTINUING DISCLOSURE OF INFORMATION

In each of the Ordinances, the City has made the following agreement for the benefit of the holders and beneficial owners of the respective series of Obligations. The City is required to observe each agreement while it remains obligated to advance funds to pay the Obligations. Under each agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

ANNUAL REPORTS . . . The City will provide to the MSRB updated financial information and operating data annually. The information to be updated includes quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under the Tables numbered 1 through 6 and 8 through 15. The City will update and provide this information in the numbered tables within six months after the end of each fiscal year ending in or after 2026 and audited financial statements within 12 months after the end of each fiscal year ending in or after 2026. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix A or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

The City's current fiscal year end is September 30. Accordingly, updated unaudited information included in the above-referenced tables must be provided by March 31 in each year, and audited financial statements must be provided by September 30 of each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the City otherwise would be required to provide financial information and operating data.

NOTICE OF CERTAIN EVENTS . . . The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Obligations to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices

of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) Obligation calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation, as defined by the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation any of which affect security holders, if material; (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Financial Reports".

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

AVAILABILITY OF INFORMATION . . . The City has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of certain specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Obligations at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Obligations may seek a writ of mandamus to compel the City to comply with its agreement.

The City's continuing disclosure agreements for the Obligations may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell the Bonds or Certificates, as the case may be, in the primary offering of such Obligations in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the respective Ordinances that authorizes such an amendment) of the outstanding Bonds or Certificates consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized Bond Counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of such Obligations. The City may also amend or repeal the provisions of the continuing disclosure agreements if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling the Obligations in the primary offering of such Obligations. If the City amends its agreements, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the City believes it has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

OTHER INFORMATION

RATINGS

The presently outstanding tax-supported debt of the City is rated by Moody's and S&P. The Obligations are rated "AA+" by S&P. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the view of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Obligations. The City is not seeking a rating from Moody's for the Obligations.

LITIGATION

It is the opinion of the City Attorney and City Staff that there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations.

REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE

The sale of the Obligations has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Obligations have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Obligations been qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for qualification of the Obligations under the securities laws of any jurisdiction in which the Obligations may be sold, assigned, pledged, hypothecated, or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Obligations shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code), as amended provides that the Obligations are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Obligations are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations. For political subdivisions in Texas that have adopted investment policies and guidelines in accordance with the PFIA, as amended, the Obligations may have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before the Obligations are eligible investments for sinking funds and other public funds. The City has made no investigation of other laws, rules, regulations, or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Obligations for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Obligations for such purposes. The City has made no review of laws in other states to determine whether the Obligations are legal investments for various institutions in those states.

LEGAL MATTERS

The City will furnish to the Initial Purchasers a complete transcript of proceedings incident to the authorization and issuance of the Obligations, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Obligations and to the effect that the Obligations are valid and legally binding obligations of the City, and based upon an examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Obligations will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions "THE OBLIGATIONS" (excluding the information under the subcaptions "Book-Entry-Only System" and "Obligationholders' Remedies" and the last sentence under "Tax Rate Limitation"), "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (excluding the information under the subcaption "Compliance with Prior Undertakings") and the subcaptions "Legal Matters" (first paragraph only), "Registration and Qualification of Obligations for Sale" and "Legal Investments and Eligibility to Secure Public Funds in Texas" under the caption "OTHER INFORMATION" in the Official Statement, and such firm is of the opinion that the information relating to the Obligations and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, such information conforms to the Ordinances. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Obligations is contingent on the sale and delivery of the Obligations. Bond Counsel's legal opinion will accompany the Obligations deposited with DTC or will be printed on the Obligations in the event of the discontinuance of the Book-Entry-Only System.

The various legal opinions to be delivered concurrently with the delivery of the Obligations express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from City records, audited financial statements, and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents, and ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

MUNICIPAL ADVISOR

HilltopSecurities is employed as Municipal Advisor to the City in connection with the issuance of the Obligations. The Municipal Advisor's fee for services rendered with respect to the sale of the Obligations is contingent upon the issuance and delivery of the Obligations. HilltopSecurities in its capacity as Municipal Advisor, has not verified and does not assume any responsibility for the information, covenants, and representations contained in any of the legal documents with respect to the federal income tax status of the Obligations, or the possible impact of any present, pending, or future actions taken by any legislative or judicial bodies.

The Municipal Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Municipal Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor does not guarantee the accuracy or completeness of such information.

INITIAL PURCHASER OF THE BONDS

After requesting competitive bids for the Bonds, the City accepted the bid of _____ (the "Initial Purchaser of the Bonds") to purchase the Bonds at the interest rates shown on the cover page of this Official Statement at a price of ___ % of par plus a cash premium (if any) of \$ _____. The Initial Purchaser of the Bonds can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Initial Purchaser of the Bonds. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser of the Bonds.

The Initial Purchaser of the Bonds and the Initial Purchaser of the Certificates are sometimes referred to as the "Initial Purchasers."

INITIAL PURCHASER OF THE CERTIFICATES

After requesting competitive bids for the Certificates, the City accepted the bid of _____ (the "Initial Purchaser of the Certificates") to purchase the Certificates at the interest rates shown on the cover page of this Official Statement at a price of ___ % of par plus a cash premium (if any) of \$ _____. The Initial Purchaser of the Certificates can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial Purchaser of the Certificates. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser of the Certificates.

FORWARD-LOOKING STATEMENTS DISCLAIMER

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and

future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

MISCELLANEOUS

The Ordinances authorizing the issuance of the Obligations will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Obligations by the Initial Purchaser of the Bonds and the Initial Purchaser of the Certificates.

HENRY WILSON
Mayor
City of Hurst, Texas

ATTEST:

LOLA SMITH
City Secretary

SCHEDULE OF REFUNDED OBLIGATIONS*

Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2015

Original Dated Date	Original Maturity	Interest Rate	Principal Amount Outstanding	Principal Amount Refunded
7/1/2015	8/15/2027 ⁽¹⁾	4.000%	\$ 195,000	\$ 195,000
	8/15/2028 ⁽²⁾	4.000%	200,000	200,000
	8/15/2029 ⁽²⁾	4.000%	205,000	205,000
	8/15/2030 ⁽³⁾	4.000%	215,000	215,000
	8/15/2031 ⁽³⁾	4.000%	220,000	220,000
	8/15/2032 ⁽⁴⁾	4.000%	235,000	235,000
	8/15/2033 ⁽⁴⁾	4.000%	245,000	245,000
	8/15/2034 ⁽⁵⁾	4.000%	250,000	250,000
	8/15/2035 ⁽⁵⁾	4.000%	265,000	265,000
			<u>\$ 2,030,000</u>	<u>\$ 2,030,000</u>

The 2027-2035 maturities will be redeemed prior to original maturity on August 18, 2026.

- (1) Represents a mandatory sinking fund redemption of a term bond maturity on August 15, 2027.
(2) Represents a mandatory sinking fund redemption of a term bond maturity on August 15, 2029.
(3) Represents a mandatory sinking fund redemption of a term bond maturity on August 15, 2031.
(4) Represents a mandatory sinking fund redemption of a term bond maturity on August 15, 2033.
(5) Represents a mandatory sinking fund redemption of a term bond maturity on August 15, 2035.

Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2016

Original Dated Date	Original Maturity	Interest Rate	Principal Amount Outstanding	Principal Amount Refunded
7/15/2016	8/15/2027	4.000%	\$ 245,000	\$ 245,000
	8/15/2028	4.000%	250,000	250,000
	8/15/2029	4.000%	265,000	265,000
	8/15/2030	4.000%	270,000	270,000
	8/15/2031	4.000%	285,000	285,000
	8/15/2032	4.000%	295,000	295,000
	8/15/2033	4.000%	305,000	305,000
	8/15/2034	4.000%	315,000	315,000
	8/15/2035	4.000%	330,000	330,000
	8/15/2036	4.000%	345,000	345,000
			<u>2,905,000</u>	<u>2,905,000</u>

The 2027-2036 maturities will be redeemed prior to original maturity on August 18, 2026.

* Preliminary, subject to change.

General Obligation Refunding Bonds, Series 2016

<u>Original Dated Date</u>	<u>Original Maturity</u>	<u>Interest Rate</u>	<u>Principal Amount Outstanding</u>	<u>Principal Amount Refunded</u>
7/15/2016	8/15/2027	4.000%	\$ 720,000	\$ 720,000
	8/15/2028	4.000%	755,000	755,000
	8/15/2029	4.000%	490,000	490,000
	8/15/2030	4.000%	510,000	510,000
	8/15/2031	4.000%	530,000	530,000
	8/15/2032	4.000%	540,000	540,000
	8/15/2033	4.000%	570,000	570,000
	8/15/2034	4.000%	590,000	590,000
	8/15/2035	4.000%	610,000	610,000
	8/15/2036	4.000%	630,000	630,000
	8/15/2037	4.000%	660,000	660,000
	8/15/2038	4.000%	680,000	680,000
			<u>7,285,000</u>	<u>7,285,000</u>

The 2027-2038 maturities will be redeemed prior to original maturity on August 18, 2026.

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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LOCATION AND HISTORY . . . The City of Hurst (the "City") is located in northeast Tarrant County, encompassing approximately 10.9 square miles. The City is approximately 10 miles northeast of downtown Fort Worth and 25 miles northwest of downtown Dallas. It is a part of the mid-cities area of North Central Texas (the "Metroplex"), which includes the cities of Dallas and Fort Worth with a total population exceeding 8.48 million.

The City was incorporated in January 1952 under the general laws of the State of Texas and the current charter was approved by the voters in December, 1956. The City is a home rule city and operates under the Council/Manager form of government. The Council is composed of a mayor and six councilmembers elected at large. All City residents vote for all six places. The members are elected for two year staggered terms and elections are held annually in May.

Policy-making and oversight functions are the responsibility of, and are vested in, the City Council. The City Council is required by the charter to appoint a City Manager to serve as the chief administrative and executive officer of the City. The duties of the City Manager include the appointment of City department heads and the daily conduct of City affairs.

The City has approximately 350 full time employees and 100 part time employees. This includes 56 sworn firemen and 72 sworn policemen. The City provides the following services; public safety (police and fire protection) highways and streets, water and sanitary sewer utilities, health and social services, culture-recreation, public improvements, planning and zoning and general administrative services.

POPULATION . . . The City has experienced manageable growth since its incorporation. The City is surrounded by other municipalities and is largely developed.

Population history is as follows:

<u>Year</u>	<u>Population</u>	<u>Year</u>	<u>Population</u>
1970	27,215	2012	38,410
1980	31,420	2013	38,910
1990	34,250	2014	38,910
2000	36,900	2015	38,340
2001	36,450	2016	38,380
2002	36,600	2017	38,410
2003	36,750	2018	38,410
2004	37,000	2019	38,510
2005	37,600	2020	38,910
2006	38,300	2021	38,910
2007	38,500	2022	38,930
2008	38,587	2023	40,430
2009	38,996	2024	40,452
2010	37,337	2025	40,454
2011	37,804	2026	40,454

ECONOMICS . . . The City's location in the Metroplex gives local businesses access to approximately 7.6 million people, the fourth largest market in the United States.

There are several local retail centers located in the City including North East Mall, Pipeline Plaza, Willows, Hurstgate Plaza, Bellaire, Old City, Shady Oaks, Melbourne, Wood Crossing, Parkwood Village, Mayfair Plaza, Woodbridge Plaza, Village Plaza and K-Mart Shopping Center.

Opened in 1971, North East Mall continues to be a vibrant driver of Hurst's economic vitality and a popular destination for shoppers across the region. The 1.7 million square foot indoor mall features 140 stores and attracts an average of 4.5 million visits annually. Major anchor tenants include a three level Dillard's, Macy's, JCPenney, Dick's Sporting Goods, a Cinemark movie theater, and the newest addition—Primark, a European big box retailer. Simon Property Group invests a minimum of \$750,000 each year in maintenance and improvements to ensure the mall remains competitive and appealing. Adjacent to the mall, The Shops at North East Mall adds another 377,000 square feet of retail space and generates more than 4 million visits annually. Combined with the 17.6 million visits to Hurst's other retail centers, these destinations reinforce Hurst's position as a thriving hub for retail activity and sustained economic vitality.

EDUCATION . . . Education for the citizens of the City is provided by the Hurst-Euless-Bedford Independent School District (the "District" or "H-E-B"), which has a 2026 enrollment of 23,262 and to a lesser degree, the Birdville Independent School District, which has a 2026 enrollment of 22,269 and Grapevine/Colleyville Independent School District, which has a 2026 enrollment of 13,380.

H-E-B physical facilities include:

<u>Campus</u>	<u>Number of Schools</u>	<u>Capacity</u>	<u>Number of Portables</u>
Elementary School	21	15,256	9
Junior High School	5	6,504	-
High School	2	4,525	13
Other	7	52	2
Totals	<u>35</u>	<u>26,337</u>	<u>24</u>

Selected historical average daily attendance figures in the H-E-B Independent School District are as follows:

FYE	Enrollment	Average Daily Attendance
8/31		
2021	23,816	21,967
2022	22,962	21,527
2023	22,874	21,333
2024	22,947	21,163
2025	23,092	21,462

Source: Texas Education Agency, Austin, Texas.

Education beyond the high school level is readily available. The Northeast campus of the Tarrant County Junior College District is located partially within the City limits.

Additionally, within a radius of 40 miles, there are a number of colleges and universities including Southern Methodist University, Texas Christian University, the University of North Texas and the University of Texas in Arlington.

TRANSPORTATION . . . The City has prime positioning for easy access to major local, regional and national markets. Located only nine miles from the Dallas/Fort Worth International Airport and eighteen miles from the Alliance Airport, the City is located in the hub of business activity and is an integral part of the rapidly growing Northeast Tarrant County Area.

The City is strategically positioned on or near five major Interstate Highways. Using Interstate Loop 820, easy access is gained to Interstate 35 (north to Oklahoma and south to Austin, San Antonio and Laredo), Interstate 45 (north to Tulsa and south to Houston), Interstate 20 (west to Midland and El Paso and east to Tyler and Shreveport), and Interstate 30 (east to Texarkana, Little Rock and Memphis). The accessibility factor also includes five rail lines in the Fort Worth area.

HISTORICAL EMPLOYMENT DATA

	<u>March</u> <u>2026</u>	<u>Average</u> <u>Annual</u> <u>2025</u>	<u>Average</u> <u>Annual</u> <u>2024</u>	<u>Average</u> <u>Annual</u> <u>2023</u>	<u>Average</u> <u>Annual</u> <u>2022</u>	<u>Average</u> <u>Annual</u> <u>2021</u>
Hurst:						
Civilian Labor Force	21,892	21,920	22,078	21,333	20,760	20,050
Unemployed	833	832	846	784	742	1,063
Percent of Unemployed	3.81%	3.80%	3.83%	3.68%	3.57%	5.30%
Fort Worth/Arlington MSA:						
Civilian Labor Force	4,551,939	4,560,281	4,488,902	4,376,741	4,256,428	4,095,480
Unemployed	175,525	179,704	175,102	161,742	151,784	207,201
Percent of Unemployed	3.86%	3.94%	3.90%	3.70%	3.57%	5.06%
Tarrant County						
Civilian Labor Force	1,204,949	1,207,781	1,195,720	1,170,758	1,139,902	1,099,856
Unemployed	46,465	47,689	47,007	43,487	41,757	58,300
% of Unemployment	3.86%	3.95%	3.93%	3.71%	3.66%	5.30%

Source: Texas Employment Commission, Austin, Texas

Change in calculation methodology by the Texas Employment Commission. Employment figures are computed based on a statewide workforce and is based on local population as a percentage of statewide population.

MAJOR EMPLOYERS IN THE CITY

<u>Company</u>	<u>Type of Business</u>	<u>Estimated Number of Employees</u>
Bell Helicopter/Textron, Inc.	Bell Helicopter/Textron, Inc.	4,200
North East Mall (Collective employment of stores other than major employers)	Mall	1,706
Shops at Northeast Mall (Outside)	Retail Center	800
H-E-B ISD	School District	582
Tarrant County College	Higher Education	542
WalMart Supercenter	Retail/Grocery	479
City of Hurst	Municipality	413
Dillard's Department Store	Department Store	338
Macy's	Retail	231
J.C. Penney Company	Retail	225

BUILDING PERMIT INFORMATION

<u>Fiscal Year</u>	<u>Commercial Construction</u>		<u>Residential Construction ⁽¹⁾</u>		<u>Total Value</u>
	<u>Number of Permits</u>	<u>Value</u>	<u>Number of Permits</u>	<u>Value</u>	
2017	136	24,515,873	158	3,514,922	28,030,795
2018	132	14,936,691	124	5,161,297	20,097,988
2019	145	48,862,248	98	N/A	-
2020	95	29,666,561	102	-	-
2021	81	5,935,919	127	N/A	-
2022	225	68,955,551	413	N/A	-
2023	206	66,427,532	608	N/A	-
2024	134	39,962,841	1,612	3,142,568	-
2025	178	2,555,607	1,059	2,026,253	-

(1) As of September 30, 2019, the City can no longer request valuation on residential property. However, Planning and Community Development did identify a report in fiscal year 2024 that provides square footage, which will be used from this point forward.

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APPENDIX B

EXCERPTS FROM THE

CITY OF HURST, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended September 30, 2025

The information contained in this Appendix consists of excerpts from the City of Hurst, Texas Annual Comprehensive Financial Report for the Year Ended September 30, 2025, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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Independent Auditor's Report

Honorable Mayor, Members of City Council,
and City Manager
City of Hurst, Texas
Hurst, Texas

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hurst, Texas (City), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying 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, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison, pension, and other postemployment benefit information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 and individual fund financial statements and schedules 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 GAAS. In our opinion, the combining and individual fund financial statements and

Honorable Mayor, Members of City Council,
and City Manager
City of Hurst, Texas

schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Summarized Comparative Information

We have previously audited the City's 2024 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated March 7, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Forvis Mazars, LLP

**Dallas, Texas
February 25, 2026**



City of Hurst, Texas
Management's Discussion and Analysis
Year Ended September 30, 2025

Management's Discussion and Analysis

Our discussion and analysis of City of Hurst's (City) financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2025. Please read this in conjunction with the transmittal letter and the City's basic financial statements following this section.

Financial Highlights

The assets and deferred outflows of resources for the City of Hurst exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ended September 30, 2025, by \$239,177,128. Of this amount, \$29,846,725 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

The City's net position increased \$5,894,652, an increase of 2.53%. The net position of business-type activities increased by \$1,455,074 or 1.94%, primarily due to operating revenues, investment earnings and transfers in from governmental funds exceeding operating expenses. Net position of the City's governmental activities increased by \$4,439,578 or 2.80%. Property tax revenues increased because Certified Net Taxable Values increased 7.6% in tax year 2024 and the City increased the maintenance and operations component of its property tax rate by \$0.01 per \$100 of taxable assessed value. Sales tax revenues increased 2.5%. Inspection revenues increased due to the tear-down and rebuild of LD Bell High School, while ambulance billing revenues increased after switching to a new third-party collector. Interest earnings were down as the Federal Reserve cut interest rates three times in calendar year 2024 and three times in calendar year 2025. Other revenues, including hotel/motel taxes, grants, inspection fees, weed mowing fees, and court fines contributed to the City's strong financial performance in FY2025. The City also transferred approximately \$9 million from its governmental activities reserves to other funds of the City for special projects.

The City's business-type activities are made up of water and sewer delivery, storm water management and Hurst Conference Center (HCC) operations. The Water and Sewer Fund ended the year with an operating loss of \$311,907 and after transfers and contributions achieved an ending increase in net position of \$1,458,184. The Storm Water Management Fund provides for annual infrastructure maintenance and continues to accumulate reserves for large-scale projects identified in the City's Capital Improvements Plan (CIP). The Storm Water Management Fund contributed an increase of \$12,244 to the change in net position of business-type activities. HCC experienced an increase in net position of \$107,676. The City's objective is for the HCC to remain around "break-even" operationally with economic development sales tax and hotel/motel occupancy tax supporting the center's debt. HCC revenues have recovered over the recent years and for FY2025, HCC experienced an operating income before contributions and transfers totaling \$13,303. Additionally, the HCC has maintained a balance of one million dollars or more in cash and cash equivalents over the last seven fiscal years, including those impacted by the pandemic. Going forward, the City will strategically reinvest net operating proceeds back into the facility to ensure that it remains a vibrant component of the Hurst Town Center.

Net position of the two non-major Enterprise Funds increased by \$35,390. These funds, which include the Hurst Public Facility Corporation Fund and Val Oaks Fund, target the City's economic development initiatives.

Total cost of all of the City's programs was \$92,232,097 in 2025 compared to \$88,680,781 in 2024.

During the year, the City had governmental program expenses of \$61,624,408, which is less than program and general revenues, contributions, and net transfers of \$66,063,986. The FY2025 Budget increased by 4% to cover a 3.5% Cost of Living Adjustment (COLA), increased contributions for health care, a one-time lump sum payment for public safety, and other miscellaneous adjustments to cover anticipated inflationary pressures. At fiscal year end, approximately \$4.4 million of reserves in excess of 90 days of operations was transferred from the General Fund to the Special Projects to cover future pay-go projects, and \$1.2 million of excess reserves was transferred to the Loss Reserve fund to cover health care costs.

City of Hurst, Texas
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The business-type activities had program expenses of \$30,607,689 and operating revenues and contributions of \$30,045,697. Additionally, \$2,017,066 of general revenues, including transfers, contributed to the excess revenues over program expenses. Approximately \$2.4 million is reserved for future capital expenditures. Payments to the City of Fort Worth for wholesale water decreased by 3.5%, primarily due to the annual raw water settle-up credit adjustment that totaling approximately \$518,000. Conversely, payments to the City of Fort Worth and the Trinity River Authority for wholesale wastewater treatment rose by 3.1% to cover rising treatment costs and infrastructure upgrades. The FY2025 Budget increased by 7% to cover a 3.5% Cost of Living Adjustment (COLA), rising wholesale water/wastewater expenditures, capital expenditures, and other miscellaneous adjustments to cover anticipated inflationary pressures. Water revenues were flat in FY2025, and can fluctuate from year-to-year based on changing weather conditions. Sewer revenues are generally more stable and increased approximately 1.4% following a 3% increase in water/sewer rates in the FY2025 budget. Reductions in revenues that can vary from year-to-year, include contributions from private sources, gain on disposal of equipment, and interest earnings caused revenues to decline in FY2025.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 14 through 16) provide information about the activities of the City as a whole and present a long-term view of the City's finances. Fund financial statements start on page 17. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most financially significant funds.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities:

Our analysis of the City as a whole begins on page 14. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net position* and changes in them. You can think of the City's net position, the difference between assets and deferred outflows, what the citizens own, and liabilities and deferred inflows of resources, what the citizens owe, as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position are one indicator of its *financial health*. You will need to consider other non-financial factors, however, such as changes in the City's tax base, and the condition of the City's capital assets (roads, buildings and water and sewer lines) to assess the *overall health* of the City.

For the governmental activities, net position decreased by \$4,439,578 which is primarily impacted by an increase in revenues by \$409,808 while expenditures increased by \$1,321,830. Intergovernmental revenues decreased, which can fluctuate from year-to-year, and investment earnings decreased due to falling interest rates in FY2025. However, revenues were positively impacted by property and sales taxes, building inspection fees, and ambulance billing fees. Expenditures were impacted by a 3.5% COLA, rising health care premiums/claims, and increased inspection fees. Further, net transfers decreased by \$7,233,910 as there was a significant increase in transfers to the Water and Sewer Fund in prior year for the new smart meter project.

City of Hurst, Texas
Management's Discussion and Analysis
Year Ended September 30, 2025

In the Statement of Net Position and the Statement of Activities we divide the City into two kinds of activities:

Governmental Activities: most of the City's basic services are reported here, including the police, fire, municipal court, street maintenance, parks and recreation, financial services, and general administration. Property taxes, sales taxes, charges for services, and fines/forfeitures finance most of these activities.

Business-type Activities: the City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's water and sewer system, storm water management activities, conference center operations, and public facility corporation activities are reported here.

Reporting the City's Most Significant Funds (Fund Financial Statements)

Our analysis of the City's major funds begins on page 16. The governmental funds 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. However, the City Council establishes many other funds to help it control and manage activity for particular purposes or to show that it is meeting legal responsibilities for using certain revenues. Understanding a fund's origin and purpose is essential for the appropriate presentation of fund balance per GASB 54, *Fund Balance Reporting and Government Fund Type Definitions*.

The City's two primary types of funds, governmental and proprietary, use different accounting approaches.

Governmental Funds: Most 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 left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations following the fund financial statements.

Proprietary Funds: When the City charges customers for the full cost of the services it provides, whether to outside customers or to other units of the City, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The City's enterprise funds (a component of business-type funds) are the same as the business-type activities we report in the government-wide statements (except for any proration of net income or loss from internal service funds) but provide more detail and additional information, such as cash flows, for proprietary funds.

City of Hurst, Texas
Management's Discussion and Analysis
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The City as a Whole

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$239,177,128, as of September 30, 2025.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 96,973,392	\$ 95,320,344	\$ 29,130,966	\$ 36,457,202	\$ 126,104,358	\$ 131,777,546
Capital, lease, and subscription assets	153,371,044	154,427,716	69,922,445	57,118,711	223,293,489	211,546,427
Total assets	250,344,436	249,748,060	99,053,411	93,575,913	349,397,847	343,323,973
Deferred outflows of resources	9,806,217	13,551,845	1,962,905	2,689,738	11,769,122	16,241,583
Long-term liabilities	89,641,670	96,800,033	16,914,524	15,225,210	106,556,194	112,025,243
Other liabilities	3,741,839	5,106,796	6,810,790	5,317,214	10,552,629	10,424,010
Total liabilities	93,383,509	101,906,829	23,725,314	20,542,424	117,108,823	122,449,253
Deferred inflows of resources	4,034,970	3,100,480	846,048	733,347	4,881,018	3,833,827
Net position						
Net investment in capital assets	113,395,513	110,245,082	63,228,162	51,453,028	176,623,675	161,698,110
Restricted	32,706,728	30,291,151	-	-	32,706,728	30,291,151
Unrestricted	16,629,933	17,756,363	13,216,792	23,536,852	29,846,725	41,293,215
Total net position	\$ 162,732,174	\$ 158,292,596	\$ 76,444,954	\$ 74,989,880	\$ 239,177,128	\$ 233,282,476

City of Hurst, Texas
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	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Revenues						
General Revenue						
Sales taxes	\$ 24,881,102	\$ 24,289,712	\$ -	\$ -	\$ 24,881,102	\$ 24,289,712
Franchise taxes	2,636,333	2,653,614	-	-	2,636,333	2,653,614
Property taxes	23,832,089	23,090,993	-	-	23,832,089	23,090,993
Occupancy taxes	722,876	858,190	-	-	722,876	858,190
Investment earnings (losses)	3,930,133	5,069,797	1,109,714	1,404,232	5,039,847	6,474,029
Gain on sale of capital assets	-	-	-	412,562	-	412,562
Miscellaneous	1,370,281	1,121,117	857,775	506,325	2,228,056	1,627,442
Program revenue						
Charges for service	6,878,351	4,987,048	29,125,656	28,470,936	36,004,007	33,457,984
Operating grants and contributions	1,390,430	2,013,386	-	-	1,390,430	2,013,386
Capital grants and contributions	471,968	1,619,898	920,041	1,903,018	1,392,009	3,522,916
Total revenues	66,113,563	65,703,755	32,013,186	32,697,073	98,126,749	98,400,828
Program Expenses Including Indirect Expenses						
General government	6,283,914	9,616,217	-	-	6,283,914	9,616,217
Public safety	32,664,842	30,952,740	-	-	32,664,842	30,952,740
Culture and recreation	14,202,361	13,381,888	-	-	14,202,361	13,381,888
Public works	7,117,257	4,967,470	-	-	7,117,257	4,967,470
Interest on debt	1,356,034	1,384,263	-	-	1,356,034	1,384,263
Water and sewer	-	-	25,070,882	23,262,027	25,070,882	23,262,027
Stormwater management	-	-	1,405,798	1,221,302	1,405,798	1,221,302
Hurst Public Facility Corporation	-	-	40,676	50,650	40,676	50,650
Val Oaks	-	-	119,040	175,582	119,040	175,582
Conference and meeting center	-	-	3,971,293	3,668,642	3,971,293	3,668,642
Total expenses	61,624,408	60,302,578	30,607,689	28,378,203	92,232,097	88,680,781
Excess Before Transfers	4,489,155	5,401,177	1,405,497	4,318,870	5,894,652	9,720,047
Transfers	(49,577)	(7,283,487)	49,577	7,283,487	-	-
Change in Net Position	4,439,578	(1,882,310)	1,455,074	11,602,357	5,894,652	9,720,047
Net Position Beginning	158,292,596	160,174,906	74,989,880	63,387,523	233,282,476	223,562,429
Net Position Ending	\$ 162,732,174	\$ 158,292,596	\$ 76,444,954	\$ 74,989,880	\$ 239,177,128	\$ 233,282,476

Net position of the City's governmental activities increased by 4,439,578, equaling \$162,732,174 at September 30, 2025, compared to \$158,292,596 at September 30, 2024.

For the net position of the City's Governmental Activities, Net Investment in Capital Assets and restricted increased by a combined \$5,566,008, while Unrestricted net position decreased by \$1,126,430, largely due to an operating transfer of \$2,500,000 from the Heal-Cent Anti-Crime fund in FY2024 for public safety radios that were capitalized in FY2025, and a larges transfer to the Loss Reserve fund in FY2025 to cover health care costs. Some functions such as public safety, culture and recreation, and public works reflect increases in operating expenses which are offset by decreases in general government. In FY2025, the City provided a 3.5% Cost of Living Adjustment and other targeted salary increases to remain competitive, and increased the employer contribution to our self-funded health care plan. Although it appears to be leveling off, operating expenses were also impacted by ongoing inflationary pressures.

City of Hurst, Texas
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Increased operating expenses were offset by rising property and sales tax revenues, inspection fees, and ambulance billing revenues. Interest earnings declined due to falling interest rates and marking investments to market at fiscal year-end, but these revenues are budgeted conservatively due to their potentially volatile nature and all investments are held to maturity. Intergovernmental and hotel/motel tax revenues also declined. Miscellaneous revenue increased due to an adjustment to contracts/retainage payable. Unrestricted net position can be used to finance the day-to-day operations of the City, while the use of restricted net position is constrained by debt covenants, enabling legislation, or other legal requirements. Restricted net position is primarily used for public safety, community development, tourism, transit activities, capital projects, and debt service.

The net position of the City's business-type activities increased by \$1,455,074 or 1.94% in 2025 to \$76,444,954 compared to \$74,989,880 in 2024. Income of \$643,876 occurred before transfers and contributions. The City raised water and sewer rates by 3% in FY25 to offset rising wholesale water and wastewater costs. Water revenues are heavily influenced by weather patterns. Overall, the Water and Sewer Fund remains fiscally sound.

The City's Funds

The following schedules presents a summary of general, special revenue, capital projects/special projects and debt service revenues and expenditures for the fiscal year ended September 30, 2025, and the amount and percentage of increases and decreases in relation to the prior year.

Revenues	FY2025 Amount	Percent of Total	Increase (Decrease) from FY2024	Percent Increase (Decrease)
Taxes	\$ 52,171,267	80.48%	\$ 1,378,132	2.71%
Licenses and permits	3,673,610	5.67%	2,523,112	219.31%
Intergovernmental	1,464,902	2.26%	(927,955)	(38.78)%
Charges for services	2,999,595	4.63%	605,684	25.30%
Fines and forfeitures	526,940	0.81%	14,745	2.88%
Investment earnings	3,371,172	5.20%	(991,079)	(22.72)%
Miscellaneous	615,784	0.95%	249,666	68.19%
Total revenues	<u>\$ 64,823,270</u>	<u>100.00%</u>	<u>\$ 2,852,305</u>	

Hotel/motel revenues, intergovernmental revenues, investment earnings, and animal adoption fees were all down in FY2025. However, building inspection fees, property taxes, ambulance billing fees, and sales taxes drove the overall increase in revenues in FY2025.

**City of Hurst, Texas
Management's Discussion and Analysis
Year Ended September 30, 2025**

Expenditures	FY2025 Amount	Percent of Total	Increase (Decrease) from FY2024	Percent Increase (Decrease)
General government	4,704,822	7.63%	368,552	8.50%
Public safety	29,076,996	47.14%	816,971	2.89%
Culture and recreation	11,342,200	18.39%	453,233	4.16%
Public works	3,986,666	6.46%	964,082	31.90%
Capital outlay	7,222,276	11.71%	(2,911,346)	-28.73%
Debt service				
Principal	3,888,047	6.30%	155,003	4.15%
Interest and fees	<u>1,463,623</u>	<u>2.37%</u>	<u>(32,645)</u>	<u>-2.18%</u>
Total expenditures	<u>\$ 61,684,630</u>	<u>100.00%</u>	<u>\$ (186,150)</u>	

Capital outlay and public works maintenance expenditures can fluctuate each year according to asset replacement programs and construction schedules. In FY2025, Public Works had increased costs for third-party contractors, including for building inspection and code enforcement services. However, fees are collected to offset the costs for these services. Public Safety (Police) also incurred increased costs for salary and benefits due to retirements, which were partially offset by reductions in professional services and capital expenditures. Inflationary pressures impacted all functions in FY2025 to varying degrees.

The General Fund is the chief operating fund of the City. General Fund revenues exceeded expenditures by \$6,770,241. The primary revenue drivers are property taxes, sales taxes, licenses and permits, and charges for services. Property taxes grew in FY2025 due to rising property values and a slight increase in the Maintenance and Operations component of the tax rate. Sales taxes increased 2.5% due to a resilient economy and perhaps by rising tariffs. Licenses and permits increased due to the collection of inspection fees for the rebuild of a local high school, charges for services increased due to code enforcement activities and switching to a new third-party ambulance billing collector. Interest earnings, hotel/motel taxes and support from governmental entities all decreased in FY2025. Departmental expenditures increased 2.7% in FY2025, in-line with inflation and a 3.5% COLA. A 90-day reserve was retained in the General Fund at fiscal year-end, while \$4.5 million in excess reserves were transferred to the Special Projects Fund for pay-go projects, and \$1.1 million was transferred to the Loss Reserve fund to offset health care costs. At fiscal year end, the spendable, unassigned fund balance of the General Fund was \$11,576,809 compared to \$10,827,343 at September 30, 2024. Staff monitors fund balance to ensure that ninety days of operations are always in reserve.

The fund balance in the Half Cent Development Corporation (HCDC) Special Revenue Fund increased by \$103,663 in 2025 after increasing \$465,536 in 2024. Sales taxes increased 2.4%, but were offset by declines in intergovernmental revenues and interest earnings. Excluding a few specialty expenditures for parks master planning, ball field drainage improvements, and transportation grant writing services, operating expenditures were in-line with inflation and a 3.5% COLA. Capital expenditures decreased slightly, and included Aquatics repairs, Hurst Athletic Center repairs, and outdoor fitness and other miscellaneous equipment replacement.

The Fund Balance in the Anti-Crime Special Revenue Fund increased by \$1,583,512, after decreasing \$1,182,450 last year. Sales taxes increased 2.5%, but were offset by a decrease in interest earnings. Salaries and benefits, including the cost of outsourced jail operations, increased 4.6% in FY2025, in-line with inflation and a 3.5% COLA. All other expenditures were down 11.6%.

City of Hurst, Texas
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The fund balance in the Special Projects Fund decreased by \$409,846 in FY2025. Interest earnings and support from governmental entities decreased as interest rates fell and interlocal agreements were fulfilled. Miscellaneous revenues increased to slightly offset these declines. Net Transfers also decreased, with a \$4.5 million year-end transfer-in from the General Fund offset against \$2.1 million transfers-out for miscellaneous equipment and reimbursements for the one-time lump sum pay in FY2025. Capital “Pay-Go” projects charged to this Fund in FY2025 included demolition costs for recently acquired properties, public safety radio upgrades, Pipeline Road widening, and shade awning replacements that were damaged by severe storms. Special Projects’ ending fund balance is assigned for projects approved by City Council and Management.

General Fund Budgetary Highlights

The FY2025 budget maintained existing service levels while also considering inflationary pressures and lingering supply chain constraints. Actual General Fund revenues of \$46,521,349 exceeded budgeted revenues of \$40,109,760 by \$6,411,589. Property taxes, which are the General Fund’s largest and most predictable source of revenue, met budgeted expectations, while sales taxes exceeded budget by approximately \$1.6 million. Due to its potentially volatile nature, the City always budgets sales taxes conservatively. For the Community Services division, recreational activity and aquatics fees both exceeded budget. Other charges for services, including ambulance billing fees and code enforcement fees also exceeded budget. As a result, charges for services finished \$1,063,145 over budget. Intergovernmental revenues exceeded budget by approximately \$0.6 million. Northeast Transportation Service (NETS) revenues are managed for a third-party and are not budgeted and public safety severe weather deployment reimbursements can vary from year-to-year and thus are difficult to budget. Actual General Fund expenditures of \$39,751,108 were below budgeted expenditures of \$44,774,215. This \$5,023,107 positive variance was due to legal, transportation and contingency expenditures being under budget. Also, indirect costs (charges to other funds for services provided) totaling \$5.8 million, reduced expenditures in the General Fund but are not budgeted here.

Capital Asset and Debt Administration

Capital Assets: At September 30, 2025, the City had \$223,293,489 invested in capital assets including police and fire equipment, buildings, park facilities, roads, water, sewer, and storm-water facilities (See table below.) This represents a net increase of \$11,747,062, or 5.55%, from last year. This increase was caused by several ongoing capital projects in FY2025.

	Governmental Activities		Business-type Activities		Total	
	FY 2025	FY 2024	FY 2025	FY 2024	FY 2025	FY 2024
Land	\$ 65,757,715	\$ 64,229,637	\$ 564,612	\$ 564,612	\$ 66,322,327	\$ 64,794,249
Buildings	41,883,863	45,728,231	456,103	485,597	42,339,966	46,213,828
Improvements	25,930,164	24,448,639	51,433,934	49,130,164	77,364,098	73,578,803
Machinery and equipment	7,745,187	4,785,173	782,190	876,340	8,527,377	5,661,513
Lease equipment	1,415,317	1,601,952	-	-	1,415,317	1,601,952
Subscription assets	899,709	1,294,185	113,620	-	1,013,329	1,294,185
CIP	9,739,089	12,339,899	16,571,986	6,061,998	26,311,075	18,401,897
Total	\$ 153,371,044	\$ 154,427,716	\$ 69,922,445	\$ 57,118,711	\$ 223,293,489	\$ 211,546,427

**City of Hurst, Texas
Management's Discussion and Analysis
Year Ended September 30, 2025**

This year's major asset additions (including work in progress) are as follows:

Title	Amount
2024 AMI Smart Meter Conversion	\$ 7,525,073
.75 MG Elevated Storage Tank at Mary Drive	4,427,459
2023 Miscellaneous Street Improvements	2,278,102
Demo Properties	1,304,034
Pipeline Phases 3 and 4	550,247
Replacement of Network Switches	537,363
2024 HCC Office Addition	443,369

See *Note 6* to the financial statements for more detailed information on capital, lease, and subscription asset activity.

Long-term Debt: At September 30, 2025, the total debt outstanding, excluding premiums, was \$51,902,886. Of this amount, \$49,910,000 comprises debt backed by the full faith and credit of the City. While \$170,000 represents notes secured by specific revenue sources. The remaining \$1,822,886 represents debt for lease equipment and subscription assets. See *Note 7* to the financial statements for more detailed information on long-term debt activity.

	Governmental Activities		Business-type Activities		Total	
	FY 2025	FY 2024	FY 2025	FY 2024	FY 2025	FY 2024
General obligation	\$ 26,325,000	\$ 28,870,000	\$ 1,780,000	\$ 2,515,000	\$ 28,105,000	\$ 31,385,000
Certificates of obligation	15,565,000	14,675,000	6,240,000	3,670,000	21,805,000	18,345,000
Public property finance contractual obligations	170,000	255,000	-	-	170,000	255,000
Lease liabilities	1,288,861	1,441,638	-	-	1,288,861	1,441,638
Subscription liabilities	446,998	589,652	87,027	-	534,025	589,652
Total	\$ 43,795,859	\$ 45,831,290	\$ 8,107,027	\$ 6,185,000	\$ 51,902,886	\$ 52,016,290

The City's funds continue to have favorable credit ratings. The City's current ratings are as follows:

	Moody's Investor Services	Standard & Poor's
General Obligation Bonds	AA2	AA+
Certificates of Obligations	AA2	AA+

Economic Factors and Next Year's Budgets and Rates

The FY 2025-2026 budget continues to reflect the City Council's conservative fiscal policies. Major objectives in the budget process include identifying cost-saving measures while providing funding to implement the City Council's strategic plans. The FY26 budget maintains service levels while managing inflationary pressures, replaces aging public safety equipment, maintains public spaces and allows for the pursuit of regional partnerships and redevelopment opportunities where appropriate. The FY 2025-2026 budget includes a 2.5% Cost of Living Adjustment (COLA) for all employees plus other targeted public safety market adjustments to remain competitive.

City of Hurst, Texas
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Collectively, property and sales tax revenues are budgeted to increase by approximately \$1.3 million in FY26. The property tax rate of \$0.611882 per \$100 represents a two-cent increase and will, in conjunction with rising property values, assist in managing ongoing inflationary pressures and unfunded mandates. The sales tax budget was increased based on prior year trends, but remains conservative and includes a contingency of approximately 3-percent (\$750,000) of general fund sales tax revenues. The sales tax contingency helps alleviate the impact of economic downturns while providing excess revenues during periods of economic growth. At fiscal year-end, General Fund reserves exceeding 90-days of operations are transferred to the Special Projects Fund and are used for pay-go projects and other unfunded needs. The Special Projects Fund also maintains an \$8 million emergency reserve.

For FY26, the Enterprise (Water/Wastewater) Fund's operating budget increased by 3.5%. The City contracts with Fort Worth and the Trinity River Authority for wholesale water and wastewater services. And these wholesale costs, which represent approximately 45% of this fund's budget, increased by approximately 2.7% for FY26 under the city's rate smoothing policy, the Council considers small incremental rate increases each year. As such, The FY26 budget includes a 2% increase in water and sewer rates for residential and commercial customers largely to offset increases in wholesale costs, absorb inflationary pressures and support market-based wage adjustments. Due to sound financial planning, the Enterprise Fund has been able to overcome variations in rainfall and consistently finish each fiscal year in a stable financial position.

Other Enterprise funds are established to account for Storm Drainage and Hurst Conference Center (HCC) operations. The Storm Drainage fee is anticipated to generate approximately \$1.4 million in FY26 and all proceeds are utilized to mitigate flooding and other drainage issues throughout the City. The Hurst Conference Center's offerings range from intimate gatherings to corporate events hosting up to approximately 1,000 people. Although the HCC was significantly impacted by the pandemic, revenues have since recovered and reached a new all-time high of \$3.97 million in FY2025.

Contacting the City's Financial Management

This financial report is designed to provide our residents, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Office at 1505 Precinct Line Road, Hurst, Texas 76054 (817) 788-7067 or email pbrown@hursttx.gov. To view financial documents, you may also visit the City's Website at www.hursttx.gov.

City of Hurst, Texas
Statement of Net Position
September 30, 2025 with Summarized
Totals for September 30, 2024

	Governmental Activities	Business-type Activities	Totals	
			2025	2024
Assets and Deferred Outflows of Resources				
Cash and cash equivalents	\$ 27,103,451	\$ 11,704,615	\$ 38,808,066	\$ 38,942,969
Investments	52,231,642	11,123,651	63,355,293	72,042,465
Accounts receivables, net	9,402,561	3,599,986	13,002,547	13,852,493
Lease receivables	123,841	23,995	147,836	208,864
Internal balances	2,530,922	(2,530,922)	-	-
Inventories and prepaid expenses	266,491	356,419	622,910	536,457
Restricted assets				
Cash and cash equivalents	3,560,978	2,493,187	6,054,165	5,238,129
Investments	1,753,506	2,360,035	4,113,541	956,169
Total current assets	96,973,392	29,130,966	126,104,358	131,777,546
Land	65,757,715	564,612	66,322,327	64,794,249
Construction in progress	9,739,089	16,571,986	26,311,075	18,401,897
Depreciable, lease and subscription assets, net	77,874,240	52,785,847	130,660,087	128,350,281
Total noncurrent assets	153,371,044	69,922,445	223,293,489	211,546,427
Total assets	250,344,436	99,053,411	349,397,847	343,323,973
Deferred Outflows of Resources				
Deferred outflows related to pensions	6,169,978	1,094,802	7,264,780	10,836,293
Deferred outflows related to OPEB	2,992,886	760,890	3,753,776	4,514,089
Deferred loss on refunding	643,353	107,213	750,566	891,201
Total deferred outflows of resources	9,806,217	1,962,905	11,769,122	16,241,583
Total assets and deferred outflows of resources	\$ 260,150,653	\$ 101,016,316	\$ 361,166,969	\$ 359,565,556
Liabilities, Deferred Inflows of Resources and Net Position				
Accounts payable and accrued liabilities	\$ 3,614,635	\$ 4,061,584	\$ 7,676,219	\$ 7,573,622
Escrow deposits and unearned revenue	127,204	683,170	810,374	757,656
Customer deposits	-	2,066,036	2,066,036	2,092,732
Current portion of net OPEB liability	692,164	173,485	865,649	868,616
Current portion of long-term liabilities	5,382,752	1,050,133	6,432,885	9,246,104
Total current liabilities	9,816,755	8,034,408	17,851,163	20,538,730
Net pension liability	24,034,821	4,264,745	28,299,566	31,012,495
Net OPEB liability, net of current portion	12,955,590	3,296,225	16,251,815	16,503,704
Long-term liabilities, net of current portion	46,576,343	8,129,936	54,706,279	54,394,324
Total noncurrent liabilities	83,566,754	15,690,906	99,257,660	101,910,523
Total liabilities	93,383,509	23,725,314	117,108,823	122,449,253
Deferred Inflows of Resources				
Deferred inflows related to pensions	1,867,452	331,361	2,198,813	781,483
Deferred inflows related to OPEB	1,944,681	494,402	2,439,083	2,746,449
Deferred inflows related to leases	112,960	20,285	133,245	188,539
Deferred gain on refunding	109,877	-	109,877	117,356
Total deferred inflows of resources	4,034,970	846,048	4,881,018	3,833,827
Net Position				
Net investment in capital assets	113,395,513	63,228,162	176,623,675	161,698,110
Restricted for				
Debt service	1,281,445	-	1,281,445	1,212,345
Capital projects	-	-	-	165,926
Community development	8,357,319	-	8,357,319	8,253,656
Public safety	13,333,808	-	13,333,808	11,997,142
Municipal court	466,130	-	466,130	452,900
Parks	558,896	-	558,896	611,002
Traffic Safety	70,157	-	70,157	76,136
Tourism, convention center, arts	3,490,215	-	3,490,215	3,125,242
Urban transit	4,889,808	-	4,889,808	4,160,027
Other	258,950	-	258,950	236,775
Unrestricted	16,629,933	13,216,792	29,846,725	41,293,215
Total net position	162,732,174	76,444,954	239,177,128	233,282,476
Total liabilities, deferred inflows of resources and net position	\$ 260,150,653	\$ 101,016,316	\$ 361,166,969	\$ 359,565,556

City of Hurst, Texas
Statement of Activities
For the Year Ended September 30, 2025 with Summarized
Totals for September 30, 2024

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 6,283,914	\$ 699,219	\$ 1,201,523	\$ 9,426
Public safety	32,664,842	2,768,568	-	50,000
Culture and recreation	14,202,361	1,816,926	188,907	-
Public works	7,117,257	1,593,638	-	412,542
Interest expense	1,356,034	-	-	-
Total governmental activities	<u>61,624,408</u>	<u>6,878,351</u>	<u>1,390,430</u>	<u>471,968</u>
Business-type Activities				
Water and sewer services	25,070,882	23,868,652	-	843,291
Conference and meeting center	3,971,293	3,971,158	-	-
Stormwater services	1,405,798	1,274,746	-	76,750
Hurst Public Facility Corporation	40,676	-	-	-
Val Oaks	119,040	11,100	-	-
Total business-type activities	<u>30,607,689</u>	<u>29,125,656</u>	<u>-</u>	<u>920,041</u>
Total primary government	<u>\$ 92,232,097</u>	<u>\$ 36,004,007</u>	<u>\$ 1,390,430</u>	<u>\$ 1,392,009</u>

General Revenues

Property taxes, penalty, and interest
Sales taxes
Franchise taxes
Occupancy taxes
Investment earnings
Gain on sale of capital assets
Miscellaneous
Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year

Net position, end of year

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Totals	
		2025	2024
\$ (4,373,746)	\$ -	\$ (4,373,746)	\$ (7,232,096)
(29,846,274)	-	(29,846,274)	(28,745,553)
(12,196,528)	-	(12,196,528)	(11,781,110)
(5,111,077)	-	(5,111,077)	(2,539,224)
(1,356,034)	-	(1,356,034)	(1,384,263)
<u>(52,883,659)</u>	<u>-</u>	<u>(52,883,659)</u>	<u>(51,682,246)</u>
-	(358,939)	(358,939)	1,551,284
-	(135)	(135)	(7,721)
-	(54,302)	(54,302)	646,140
-	(40,676)	(40,676)	(18,370)
<u>-</u>	<u>(107,940)</u>	<u>(107,940)</u>	<u>(175,582)</u>
-	(561,992)	(561,992)	1,995,751
<u>(52,883,659)</u>	<u>(561,992)</u>	<u>(53,445,651)</u>	<u>(49,686,495)</u>
23,832,089	-	23,832,089	23,090,993
24,881,102	-	24,881,102	24,289,712
2,636,333	-	2,636,333	2,653,614
722,876	-	722,876	858,190
3,930,133	1,109,714	5,039,847	6,474,029
-	-	-	412,562
1,370,281	857,775	2,228,056	1,627,442
(49,577)	49,577	-	-
<u>57,323,237</u>	<u>2,017,066</u>	<u>59,340,303</u>	<u>59,406,542</u>
4,439,578	1,455,074	5,894,652	9,720,047
<u>158,292,596</u>	<u>74,989,880</u>	<u>233,282,476</u>	<u>223,562,429</u>
<u>\$ 162,732,174</u>	<u>\$ 76,444,954</u>	<u>\$ 239,177,128</u>	<u>\$ 233,282,476</u>

City of Hurst, Texas
Balance Sheet
Governmental Funds
September 30, 2025 with Summarized
Totals for September 30, 2024

	Special Revenue Funds		
	General Fund	HCDC	Anti-Crime
Assets			
Cash and cash equivalents	\$ 3,650,571	\$ 2,522,916	\$ 5,075,467
Investments	15,623,826	4,705,918	5,704,943
Receivables, net			
Taxes	2,154,885	998,408	992,627
Lease	123,841	-	-
Court	2,446,616	-	-
Other	1,873,327	151,748	164,769
Prepays	20,880	-	-
Inventory	1,803	-	-
Due from other funds	2,653,707	-	-
	<u>\$ 28,549,456</u>	<u>\$ 8,378,990</u>	<u>\$ 11,937,806</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable and accrued items	\$ 2,191,776	\$ 45,313	\$ 96,653
Escrow deposits payable and unearned revenue	127,204	-	-
Due to other funds	-	-	-
	<u>2,318,980</u>	<u>45,313</u>	<u>96,653</u>
Deferred Inflows of Resources			
Lease related	112,960	-	-
Unavailable revenue	3,244,404	-	-
	<u>3,357,364</u>	<u>-</u>	<u>-</u>
Fund Balances			
Nonspendable			
Prepays	20,880	-	-
Inventory	1,803	-	-
Restricted	11,250,453	8,333,677	11,841,153
Assigned	23,167	-	-
Unassigned	11,576,809	-	-
	<u>22,873,112</u>	<u>8,333,677</u>	<u>11,841,153</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 28,549,456</u>	<u>\$ 8,378,990</u>	<u>\$ 11,937,806</u>

Capital Projects Funds		Nonmajor Governmental Funds	Totals	
Special Projects			2025	2024
\$ 6,424,973	\$ 4,520,156	\$ 22,194,083	\$ 17,839,591	
18,564,372	2,105,187	46,704,246	49,936,497	
-	25,586	4,171,506	4,137,321	
-	-	123,841	141,204	
-	-	2,446,616	2,574,569	
299,017	29,262	2,518,123	2,564,004	
-	-	20,880	20,880	
-	-	1,803	1,803	
-	-	2,653,707	1,577,414	
<u>\$ 25,288,362</u>	<u>\$ 6,680,191</u>	<u>\$ 80,834,805</u>	<u>\$ 78,793,283</u>	
\$ 169,561	\$ 38,783	\$ 2,542,086	\$ 3,977,452	
-	-	127,204	78,002	
229,563	2,425,144	2,654,707	1,541,713	
<u>399,124</u>	<u>2,463,927</u>	<u>5,323,997</u>	<u>5,597,167</u>	
-	-	112,960	129,666	
-	17,783	3,262,187	3,682,848	
-	17,783	3,375,147	3,812,514	
-	-	20,880	20,880	
-	-	1,803	1,803	
-	4,198,481	35,623,764	33,324,732	
24,889,238	-	24,912,405	25,321,991	
-	-	11,576,809	10,714,196	
<u>24,889,238</u>	<u>4,198,481</u>	<u>72,135,661</u>	<u>69,383,602</u>	
<u>\$ 25,288,362</u>	<u>\$ 6,680,191</u>	<u>\$ 80,834,805</u>	<u>\$ 78,793,283</u>	



City of Hurst, Texas
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
September 30, 2025

Total governmental fund balances	\$ 72,135,661
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital, lease, and subscription assets used in governmental activities are not financial resources and therefore are not reported in the funds, excluding internal service funds capital, lease, and subscription assets.	149,299,155
Accrued interest on governmental activities debt is not reported in the funds until paid.	(171,802)
Certain revenue earned but unavailable and long-term receivables are deferred in the funds.	3,262,187
Internal service funds are used by management to charge the cost of certain activities, such as insurance, fleet management and information technology, to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds that are attributable to governmental activities are included in the government-wide financial statements.	20,638,217
Other postemployment benefits and related deferred outflows and inflows of resources are not due and payable in the current period and, therefore are not reported in the governmental funds financial statements, excluding internal service funds other postemployment benefits and related deferred outflows and inflows of resources.	(12,123,887)
Pension related liabilities and related deferred outflows and inflows of resources are not due and payable in the current period and, therefore are not reported in the governmental funds financial statements, excluding pension related liabilities and related deferred outflows and inflows of resources.	(19,146,809)
Compensated absences are not due and payable in the current period and therefore are not reported in the funds, excluding internal service funds compensated absences of \$125,122.	(6,180,043)
Tax notes, bonds payable, contractual obligations, lease, and subscription liabilities are not due and payable in the current period and therefore are not reported in the funds, excluding internal service funds long-term liabilities. Losses on issuance of refunding bonds are not reported in the funds but are reported as deferred outflows in the statement of net position.	<u>(44,980,505)</u>
Net position of governmental activities	<u>\$ 162,732,174</u>

City of Hurst, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2025 with Summarized
Totals for Year Ended September 30, 2024

	Special Revenue Funds		
	General	HCDC	Anti-Crime
Revenues			
Taxes, penalty and interest	\$ 36,374,344	\$ 6,252,746	\$ 6,212,531
Licenses/permits	3,673,610	-	-
Support from governmental entities	1,260,949	15,046	-
Charges for services	2,999,595	-	-
Fines and fees	526,940	-	-
Investment earnings	1,396,010	327,787	423,359
Miscellaneous	289,901	20,880	1,514
Total revenues	46,521,349	6,616,459	6,637,404
Expenditures			
Current			
General government	4,269,573	-	-
Public safety	23,901,822	-	5,059,291
Culture and recreation	7,045,981	4,287,484	-
Public works	3,986,666	-	-
Capital outlay	314,057	1,039,942	88,868
Debt service			
Principal retirement	221,855	-	37,382
Interest and fiscal charges	11,154	-	5,868
Total expenditures	39,751,108	5,327,426	5,191,409
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,770,241	1,289,033	1,445,995
Other Financing Sources (Uses)			
Issuance of debt	-	-	-
Premium on bond issuance	-	-	-
Leases issued	-	-	-
Subscriptions issued	-	-	85,618
Proceeds from sale of capital assets	1,428	-	-
Transfers in	762,289	40,899	51,899
Transfers out	(5,959,094)	(1,226,269)	-
Total other financing sources (uses)	(5,195,377)	(1,185,370)	137,517
Net Change in Fund Balances	1,574,864	103,663	1,583,512
Fund Balances, Beginning of Year	21,298,248	8,230,014	10,257,641
Fund Balances, End of Year	\$ 22,873,112	\$ 8,333,677	\$ 11,841,153

Capital Projects		Nonmajor Governmental Funds	Totals	
Funds	Special Projects		2025	2024
\$	-	\$ 3,331,646	\$ 52,171,267	\$ 50,793,135
	-	-	3,673,610	1,150,498
	188,907	-	1,464,902	2,392,857
	-	-	2,999,595	2,393,911
	-	-	526,940	512,195
	962,035	261,981	3,371,172	4,362,251
	187,887	115,602	615,784	366,118
	<u>1,338,829</u>	<u>3,709,229</u>	<u>64,823,270</u>	<u>61,970,965</u>
	435,249	-	4,704,822	4,336,270
	115,883	-	29,076,996	28,260,025
	8,735	-	11,342,200	10,888,967
	-	-	3,986,666	3,022,584
	3,519,639	2,259,770	7,222,276	10,133,622
	68,810	3,560,000	3,888,047	3,733,044
	7,690	1,438,911	1,463,623	1,496,268
	<u>4,156,006</u>	<u>7,258,681</u>	<u>61,684,630</u>	<u>61,870,780</u>
	<u>(2,817,177)</u>	<u>(3,549,452)</u>	<u>3,138,640</u>	<u>100,185</u>
	-	1,820,000	1,820,000	1,975,000
	-	43,119	43,119	61,333
	-	-	-	1,341,637
	-	-	85,618	-
	-	-	1,428	4,128
	4,543,506	1,586,199	6,984,792	20,875,048
	<u>(2,136,175)</u>	<u>-</u>	<u>(9,321,538)</u>	<u>(28,985,290)</u>
	<u>2,407,331</u>	<u>3,449,318</u>	<u>(386,581)</u>	<u>(4,728,144)</u>
	(409,846)	(100,134)	2,752,059	(4,627,959)
	<u>25,299,084</u>	<u>4,298,615</u>	<u>69,383,602</u>	<u>74,011,561</u>
<u>\$</u>	<u>24,889,238</u>	<u>\$ 4,198,481</u>	<u>\$ 72,135,661</u>	<u>\$ 69,383,602</u>



City of Hurst, Texas
Reconciliation of Changes in Fund Balances of Governmental
Funds to Change in Net Position in the Statement of Activities
For the Year Ended September 30, 2025

Net change in fund balances - total governmental funds	\$ 2,752,059
Amounts reported for governmental funds in the statement of activities are different because:	
Change in revenues not considered available in the governmental funds.	(420,661)
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/amortization expense. This is the amount by which depreciation/amortization exceeded capital outlays in the current year. This amount excludes \$1,205,834 of depreciation/amortization expense in the internal service funds.	
Capital outlay, including capital, lease and subscription expenditures	7,222,276
Depreciation/amortization	(8,074,250)
The net effect of various transactions involving capital assets (i.e. sales and contributions) is to increase or decrease net position.	(820,801)
Proceeds from debt and subscriptions issued, including premiums, are an other financing source in the funds, but a debt issuance increases long-term liabilities in the statement of net position.	(1,948,737)
Repayment of long-term debt, including bond refundings, leases, and subscriptions, is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position, excluding internal service funds.	3,888,047
Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities.	202,025
Governmental funds report the effect of losses and gains on refundings when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities.	(98,666)
Current year change in accrued interest payable requires the use of current financial resources; but it is not reported as an expense in the governmental-wide statement.	4,230
Current year pension expenditures are reported on the fiscal year basis in the governmental statement of revenues, expenditures, and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in deferred outflows/inflows of resources balances, excluding internal service funds.	(1,875,579)
Current year OPEB expenditures are reported on the fiscal year basis in the governmental statement of revenues, expenditures, and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in deferred outflows/inflows of resources balances, excluding internal service funds.	(151,977)
Current year changes in long-term liabilities for compensated absences do not require the use of current financial resources; therefore they are not reported as expenditures in governmental funds, excluding internal service funds.	2,512,465
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management, and information technology to individual funds. The change in net position of the internal service funds is reported with governmental activities (net of amount allocated to business-type activities).	1,249,147
Change in net position of governmental activities	<u>\$ 4,439,578</u>

City of Hurst, Texas
Statement of Net Position
Proprietary Funds
September 30, 2025 with Summarized
Totals for September 30, 2024

	Business-type Activities				Totals	
	Water & Sewer	Conference & Meeting Center Fund	Stormwater Fund	Nonmajor Enterprise Funds	2025	2024
Assets						
Current assets						
Cash and cash equivalents	\$ 9,322,273	\$ 1,260,738	\$ 719,320	\$ 402,284	\$ 11,704,615	\$ 16,340,006
Investments	11,023,651	-	100,000	-	11,123,651	16,045,847
Accounts receivable, net	2,938,938	110,327	156,919	-	3,206,184	3,744,725
Lease receivable	-	-	-	23,995	23,995	67,660
Inventory of materials and supplies	235,245	34,542	-	-	269,787	230,261
Other receivables	389,854	-	3,703	245	393,802	364,470
Due from other funds	1,000	-	-	-	1,000	1,000
Prepays and other assets	19,200	67,432	-	-	86,632	45,762
Restricted assets						
Cash and cash equivalents	2,493,187	-	-	-	2,493,187	2,027,674
Investments	2,360,035	-	-	-	2,360,035	-
Total current assets	28,783,383	1,473,039	979,942	426,524	31,662,888	38,867,405
Noncurrent assets						
Capital assets	111,004,761	1,553,934	8,223,922	63,130	120,845,747	105,877,603
Accumulated depreciation/amortization	(48,420,127)	(477,144)	(2,026,031)	-	(50,923,302)	(48,758,892)
Total noncurrent assets	62,584,634	1,076,790	6,197,891	63,130	69,922,445	57,118,711
Total assets	91,368,017	2,549,829	7,177,833	489,654	101,585,333	95,986,116
Deferred Outflows of Resources						
Deferred pension outflows	802,031	224,482	68,289	-	1,094,802	1,633,028
Deferred OPEB outflows	575,829	133,634	51,427	-	760,890	915,007
Deferred loss on bond refunding	107,213	-	-	-	107,213	141,703
Total deferred outflows of resources	1,485,073	358,116	119,716	-	1,962,905	2,689,738
Total assets and deferred outflows of resources	92,853,090	2,907,945	7,297,549	489,654	103,548,238	98,675,854
Liabilities						
Current liabilities						
Accounts payable and accrued items	\$ 3,873,614	\$ 132,021	\$ 8,339	\$ 11,029	\$ 4,025,003	\$ 2,519,601
Due to other funds	-	-	-	-	-	36,701
Unearned revenue	-	683,170	-	-	683,170	679,654
Current liabilities payable from restricted assets						
Accrued bond interest	36,581	-	-	-	36,581	25,227
Customer deposits	2,063,706	-	-	2,330	2,066,036	2,092,732
Current portion of net OPEB liability	131,291	30,469	11,725	-	173,485	176,069
Current portion of long-term liabilities	1,008,848	34,596	6,689	-	1,050,133	1,214,179
Total current liabilities	7,114,040	880,256	26,753	13,359	8,034,408	6,744,163
Net pension liability	3,124,272	874,457	266,016	-	4,264,745	4,673,582
Net OPEB liability, net of current portion	2,494,528	578,913	222,784	-	3,296,225	3,345,301
Long-term liabilities, net of current portion	7,930,899	146,706	52,331	-	8,129,936	5,816,079
Total long-term liabilities	13,549,699	1,600,076	541,131	-	15,690,906	13,834,962
Total liabilities	20,663,739	2,480,332	567,884	13,359	23,725,314	20,579,125
Deferred Inflows of Resources						
Lease related	-	-	-	20,285	20,285	58,873
Deferred pension inflows	242,749	67,944	20,668	-	331,361	117,769
Deferred OPEB inflows	374,155	86,832	33,415	-	494,402	556,705
Total deferred inflows of resources	616,904	154,776	54,083	20,285	846,048	733,347
Net Position						
Net investment in capital assets	55,946,262	1,020,879	6,197,891	63,130	63,228,162	51,453,028
Unrestricted	15,626,185	(748,042)	477,691	392,880	15,748,714	25,910,354
Total net position	\$ 71,572,447	\$ 272,837	\$ 6,675,582	\$ 456,010	78,976,876	\$ 77,363,382
Adjustment to net position to reflect the consolidation of internal service fund activities related to enterprise funds					(2,531,922)	
Net position of business-type activities					\$ 76,444,954	

Governmental Activities- Internal Service Funds	
Totals	
2025	2024
\$ 8,470,346	\$ 7,973,827
7,280,902	7,016,290
-	-
-	-
78,808	72,751
266,316	467,404
-	-
165,000	165,000
-	-
-	-
<u>16,261,372</u>	<u>15,695,272</u>
17,575,960	15,979,234
(13,504,071)	(12,523,450)
<u>4,071,889</u>	<u>3,455,784</u>
<u>20,333,261</u>	<u>19,151,056</u>
183,073	273,076
112,989	135,874
-	-
<u>296,062</u>	<u>408,950</u>
<u>20,629,323</u>	<u>19,560,006</u>
\$ 900,747	\$ 875,309
-	-
-	-
-	-
-	-
25,762	26,145
109,835	114,369
<u>1,036,344</u>	<u>1,015,823</u>
713,149	781,514
489,473	496,761
155,236	147,977
<u>1,357,858</u>	<u>1,426,252</u>
<u>2,394,202</u>	<u>2,442,075</u>
-	-
55,410	19,694
73,416	82,669
<u>128,826</u>	<u>102,363</u>
3,841,756	3,262,833
14,264,539	13,752,735
<u>\$ 18,106,295</u>	<u>\$ 17,015,568</u>

City of Hurst, Texas
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2025 with Summarized
Totals for Year Ended September 30, 2024

	Business-type Activities				Totals	
	Water & Sewer	Conference & Meeting Center Fund	Stormwater Fund	Nonmajor Enterprise Funds	2025	2024
Operating Revenues						
Water and sewer services	\$ 23,804,148	\$ -	\$ -	\$ -	\$ 23,804,148	\$ 23,637,767
Storm drainage utility fee	-	-	1,274,746	-	1,274,746	1,105,097
Service/user fees	64,504	3,984,596	-	-	4,049,100	3,728,072
Rental and lease	14,245	-	-	331,029	345,274	-
Other	498,988	-	75	11,100	510,163	506,325
Total operating revenues	24,381,885	3,984,596	1,274,821	342,129	29,983,431	28,977,261
Operating Expenses						
Personnel services	5,736,990	2,024,117	572,714	-	8,333,821	7,458,277
Claims	-	-	-	-	-	-
Contractual services	10,326,831	-	-	-	10,326,831	10,045,634
Repairs and maintenance	674,625	268,759	179,766	46,201	1,169,351	897,376
Materials and supplies	131,407	77,726	5,037	6,171	220,341	205,725
Depreciation and amortization	1,784,670	79,517	300,223	-	2,164,410	2,320,607
Indirect cost/street rental fees	4,251,141	-	109,334	-	4,360,475	4,112,404
Miscellaneous	1,788,128	1,521,174	216,981	107,344	3,633,627	3,154,719
Total operating expenses	24,693,792	3,971,293	1,384,055	159,716	30,208,856	28,194,742
Operating Income (Loss)	(311,907)	13,303	(109,234)	182,413	(225,425)	782,519
Nonoperating Revenues (Expenses)						
Investment earnings	1,074,549	-	31,374	3,791	1,109,714	1,404,232
Interest expense	(240,413)	-	-	-	(240,413)	(182,532)
Gain (loss) on sale of property and equipment	-	-	-	-	-	412,562
Insurance recoveries, net	-	-	-	-	-	-
Total nonoperating revenues (expenses)	834,136	-	31,374	3,791	869,301	1,634,262
Income (Loss) Before Capital Contributions and Transfers	522,229	13,303	(77,860)	186,204	643,876	2,416,781
Transfers in	92,664	94,373	13,354	-	200,391	7,549,825
Transfers out	-	-	-	(150,814)	(150,814)	(266,338)
Capital Contributions	843,291	-	76,750	-	920,041	1,903,018
Change in Net Position	1,458,184	107,676	12,244	35,390	1,613,494	11,603,286
Net Position, Beginning of Year	70,114,263	165,161	6,663,338	420,620	77,363,382	65,760,096
Net Position, End of Year	<u>\$ 71,572,447</u>	<u>\$ 272,837</u>	<u>\$ 6,675,582</u>	<u>\$ 456,010</u>	<u>\$ 78,976,876</u>	<u>\$ 77,363,382</u>
Adjustment to change in net position to reflect the consolidation of internal service fund activities related to enterprise funds					(158,420)	
Change in Net Position of Business-type Activities					<u>\$ 1,455,074</u>	

Governmental Activities- Internal Service Funds	
2025	2024
\$ -	\$ -
-	-
13,625,654	13,031,595
-	-
<u>522,045</u>	<u>277,618</u>
<u>14,147,699</u>	<u>13,309,213</u>
3,427,215	3,040,516
8,457,455	7,766,854
352,192	368,825
1,286,016	901,395
1,168,417	961,569
1,205,834	1,117,995
-	245,000
<u>260,692</u>	<u>245,160</u>
<u>16,157,821</u>	<u>14,647,314</u>
<u>(2,010,122)</u>	<u>(1,338,101)</u>
558,961	707,546
-	-
22,267	(13,253)
<u>232,452</u>	<u>-</u>
<u>813,680</u>	<u>694,293</u>
(1,196,442)	(643,808)
2,287,169	826,755
-	-
-	-
1,090,727	182,947
<u>17,015,568</u>	<u>16,832,621</u>
<u>\$ 18,106,295</u>	<u>\$ 17,015,568</u>

City of Hurst, Texas
Proprietary Funds
Statement of Cash Flows
For the Year Ended September 30, 2025 with Summarized
Totals for Year Ended September 30, 2024

	Business-type Activities				Totals	
	Water & Sewer	Conference & Meeting Center Fund	Stormwater Fund	Nonmajor Enterprise Funds	2025	2024
Cash Flows from Operating Activities						
Receipts from customers and users	\$ 24,970,057	\$ 4,149,125	\$ 1,248,521	\$ 323,984	\$ 30,691,687	\$ 28,864,971
Receipts from interfund services provided	-	-	-	-	-	-
Payments to suppliers	(13,267,464)	(1,816,291)	(430,962)	(148,687)	(15,663,404)	(14,117,802)
Payments on behalf of employees	(5,335,294)	(1,946,736)	(509,804)	-	(7,791,834)	(7,080,074)
Payments for interfund services used	(4,251,141)	-	(109,334)	-	(4,360,475)	(4,113,404)
Net cash provided by (used in) operating activities	<u>2,116,158</u>	<u>386,098</u>	<u>198,421</u>	<u>175,297</u>	<u>2,875,974</u>	<u>3,553,691</u>
Cash Flows from Noncapital Financing Activities						
Advances to other funds	-	-	-	(36,701)	(36,701)	-
Transfers to other funds	-	-	-	(150,814)	(150,814)	(266,338)
Transfers from other funds	92,664	94,373	13,354	-	200,391	588,510
Net cash provided by (used in) noncapital financing activities	<u>92,664</u>	<u>94,373</u>	<u>13,354</u>	<u>(187,515)</u>	<u>12,876</u>	<u>322,172</u>
Cash Flows from Capital and Related Financing Activities						
Insurance proceeds	-	-	-	-	-	-
Proceeds from long-term debt	2,813,843	-	-	-	2,813,843	2,036,333
Debt principal payments	(915,000)	-	-	-	(915,000)	(815,000)
Subscription liability payments	(31,533)	-	-	-	(31,533)	-
Interest paid on revenue bonds	(239,747)	-	-	-	(239,747)	(142,628)
Payment of debt issuance cost	-	-	-	-	-	(34,355)
Purchases of property and equipment	(11,168,047)	(734,424)	(398,205)	(63,130)	(12,363,806)	(5,529,896)
Transfer from other funds for capital purposes	-	-	-	-	-	6,961,315
Proceeds from sale of property and equipment	-	-	-	-	-	415,054
Net cash provided by (used in) capital and related financing activities	<u>(9,540,484)</u>	<u>(734,424)</u>	<u>(398,205)</u>	<u>(63,130)</u>	<u>(10,736,243)</u>	<u>2,890,823</u>
Cash Flows from Investing Activities						
Proceeds from sale/maturities of investments	11,745,028	-	304,898	-	12,049,926	23,349,562
Purchase of investments	(9,387,765)	-	(100,000)	-	(9,487,765)	(16,459,020)
Interest on investments, net	1,074,549	-	37,014	3,791	1,115,354	1,402,283
Net cash provided by investing activities	<u>3,431,812</u>	<u>-</u>	<u>241,912</u>	<u>3,791</u>	<u>3,677,515</u>	<u>8,292,825</u>
Net increase (decrease) in cash and cash equivalents	(3,899,850)	(253,953)	55,482	(71,557)	(4,169,878)	15,059,511
Cash and Cash Equivalents, Beginning of Year	<u>15,715,310</u>	<u>1,514,691</u>	<u>663,838</u>	<u>473,841</u>	<u>18,367,680</u>	<u>3,308,169</u>
Cash and Cash Equivalents, End of Year	<u>\$ 11,815,460</u>	<u>\$ 1,260,738</u>	<u>\$ 719,320</u>	<u>\$ 402,284</u>	<u>\$ 14,197,802</u>	<u>\$ 18,367,680</u>
Noncash Investing, Capital and Financing Activities						
Contributions of capital assets	\$ 843,291	\$ -	\$ 76,750	\$ -	\$ 920,041	\$ 1,903,018
Capital assets in accounts payable and change in retainage payable	2,889,731	55,911	-	-	2,945,642	1,379,905
Issuance of subscription	118,560	-	-	-	118,560	-
	<u>3,851,582</u>	<u>55,911</u>	<u>76,750</u>	<u>-</u>	<u>3,984,243</u>	<u>3,282,923</u>
Reconciliation to Statement of Net Position						
Cash and cash equivalents	9,322,273	1,260,738	719,320	402,284	11,704,615	16,340,006
Restricted cash and cash equivalents	2,493,187	-	-	-	2,493,187	2,027,674
	<u>\$ 11,815,460</u>	<u>\$ 1,260,738</u>	<u>\$ 719,320</u>	<u>\$ 402,284</u>	<u>\$ 14,197,802</u>	<u>\$ 18,367,680</u>

**Governmental Activities-
Internal Service Funds**

<u>2025</u>	<u>2024</u>
\$ 283,141	\$ 532,698
13,625,654	12,432,137
(2,019,089)	(10,539,659)
(12,884,659)	(2,710,416)
-	-
(994,953)	(285,240)
-	-
-	-
2,287,169	826,755
2,287,169	826,755
232,452	-
-	-
-	-
(91,424)	(100,845)
-	-
-	-
(1,693,333)	(1,374,542)
-	-
22,267	25,108
(1,530,038)	(1,450,279)
5,588,805	9,242,123
(5,853,417)	(6,391,552)
998,953	630,862
734,341	3,481,433
496,519	2,572,669
7,973,827	5,401,158
<u>\$ 8,470,346</u>	<u>\$ 7,973,827</u>
\$ -	\$ -
90,184	-
38,422	38,422
128,606	38,422
8,470,346	7,973,827
-	-
<u>\$ 8,470,346</u>	<u>\$ 7,973,827</u>

City of Hurst, Texas
Proprietary Funds
Statement of Cash Flows (Continued)
For the Year Ended September 30, 2025 with Summarized
Totals for Year Ended September 30, 2024

	Business-type Activities				Totals	
	Water & Sewer	Conference & Meeting Center Fund	Stormwater Fund	Non-major Enterprise Funds	2025	2024
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities						
Operating income (loss)	\$ (311,907)	\$ 13,303	\$ (109,234)	\$ 182,413	\$ (225,425)	\$ 782,519
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation and amortization	1,784,670	79,517	300,223	-	2,164,410	2,320,607
Change in assets and deferred outflows						
Accounts receivable	591,792	(61,923)	(26,300)	-	503,569	54,515
Lease receivable	2,387	-	-	41,278	43,665	136,670
Other	-	-	-	-	-	36,701
Inventory of materials and supplies	(38,664)	(862)	-	-	(39,526)	(10,544)
Prepays and other assets	-	(40,870)	-	-	(40,870)	(20,654)
Deferred pension outflows	585,796	163,958	49,878	-	799,632	1,023,926
Deferred OPEB outflows	116,632	27,069	10,416	-	154,117	9,265
Change in liabilities and deferred inflows						
Accounts payable and other	(306,854)	264,668	(29,178)	11,029	(60,335)	258,200
Customer deposits and unearned revenue	(3,620)	3,516	-	(23,076)	(23,180)	(184,512)
Compensated absences	118,947	51,368	38,804	-	209,119	94,586
Net pension liability	(299,507)	(83,829)	(25,501)	-	(408,837)	(869,852)
Net OPEB liability	(39,095)	(9,073)	(3,492)	-	(51,660)	233,147
Deferred inflows - lease related	(2,241)	-	-	(36,347)	(38,588)	(127,486)
Deferred pension inflows	(35,028)	(9,803)	(2,983)	-	(47,814)	(15,698)
Deferred OPEB inflows	(47,150)	(10,941)	(4,212)	-	(62,303)	(167,699)
Net cash provided by (used in) operating activities	<u>\$ 2,116,158</u>	<u>\$ 386,098</u>	<u>\$ 198,421</u>	<u>\$ 175,297</u>	<u>\$ 2,875,974</u>	<u>\$ 3,553,691</u>

Governmental Activities	
Internal Service Funds	
2025	2024
\$ (2,010,122)	\$ (1,338,101)
1,205,834	1,117,995
(238,904)	(344,378)
-	-
-	-
(6,057)	(1,740)
-	-
133,715	171,219
22,885	1,376
(64,746)	277,691
-	-
55,727	(30,940)
(68,365)	(145,457)
(7,671)	34,621
-	-
(7,996)	(2,625)
(9,253)	(24,901)
<u>\$ (994,953)</u>	<u>\$ (285,240)</u>

City of Hurst, Texas
Fiduciary Fund
Statement of Fiduciary Net Position
September 30, 2025 with Summarized
Totals for September 30, 2024

	OPEB Trust	
	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Assets		
Investments		
Mutual funds - equity	\$ 8,197,895	\$ 7,401,247
Total assets	<u>\$ 8,197,895</u>	<u>\$ 7,401,247</u>
Net Position		
Restricted for other postemployment benefits	\$ 8,197,895	\$ 7,401,247
Total net position	<u>\$ 8,197,895</u>	<u>\$ 7,401,247</u>

City of Hurst, Texas
Fiduciary Fund
Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2025 with Summarized
Totals for Year Ended September 30, 2024

	OPEB Trust	
	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Additions		
Contributions		
Employer	\$ 1,205,350	\$ 1,055,503
Investment income	796,648	1,002,664
	<u>2,001,998</u>	<u>2,058,167</u>
Deductions		
Benefit payments	1,187,655	1,038,662
Administrative expenses	17,695	16,841
	<u>1,205,350</u>	<u>1,055,503</u>
Change in net position	796,648	1,002,664
Net Position, Beginning of Year	<u>7,401,247</u>	<u>6,398,583</u>
Net Position, Ending of Year	<u>\$ 8,197,895</u>	<u>\$ 7,401,247</u>



Note 1. Summary of Significant Accounting Policies

The City of Hurst, Texas (City) Home Rule Charter was adopted December 19, 1956, pursuant to Resolution No. 100, adopted November 13, 1956. The City operates under a Council-Manager form of government and provides the following services by its charter: public safety, public works, health, culture, recreation, community development, and water and sewer utilities.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. Management uses estimates and assumptions in preparing financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues, expenditures, and expenses. Actual results could vary from the estimates that are used. Significant City policies are described below.

Reporting Entity

These financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, in substance, are part of the City's operations.

The Hurst Community Services Development Corporation (HCDC) was incorporated in 1993 under the provisions of the *Development Corporation Act of 1979*, Article 5190.6, Texas Revised Civil Statutes Annotated, as amended. HCDC operates under a seven-member Board of Directors appointed by the City Council. The purpose of HCDC is to promote and finance projects required or suitable for athletic, entertainment, tourist, conventions, public parks, and related purposes. The Board of Directors of HCDC is substantially the same as the City Council and the City will ultimately bear the benefit or burden. HCDC has been incorporated into these basic financial statements as a blended component unit, reported as the HCDC Fund. Separate financial statements for HCDC are not prepared.

The Hurst Crime Control and Prevention District (HCCPD) was authorized by voter referendum on September 9, 1995, for five years under the provisions of the *Crime Control and Prevention District Act*, Article 2370c-4, Section 3.01, Vernon Civil Statutes, as amended. The district was renewed by voter referendum on August 12, 2000, for ten years and again on May 8, 2010, for twenty years. The HCCPD operates under a seven-member Board of Directors appointed by the City Council. The purpose of the HCCPD is to provide relief to the General Fund for expanded crime prevention and enforcement activities. The Board of Directors of the HCCPD is substantially the same as the City Council and the City will ultimately bear the benefit or burden. The HCCPD has been incorporated into these basic financial statements as a blended component unit, reported as the Anti-crime Fund. Separate financial statements for HCCPD are not prepared.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the primary government. These financial statements include the financial activities of the overall government except the fiduciary fund. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support.

City of Hurst, Texas
Notes to Basic Financial Statements
September 30, 2025

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Certain eliminations have been made as prescribed by GASB Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments* (GASB 34) in regard to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the City and for each governmental program. Direct expenses are those that are specifically associated with a service, program, or department, and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues.

Net position should be reported as restricted when constraints placed on asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes result from special revenue funds and the restrictions on their asset use. Separate financial statements are provided for governmental funds, proprietary funds, internal service funds, and fiduciary fund. Major individual governmental funds and the major enterprise funds are reported as separate columns in the fund financial statements.

Fund Financial Statements

Fund financial statements report detailed information about the City. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Governmental Funds

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. “Measurable” means that the amount of the transaction can be determined, and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers all revenues susceptible to accrual as available if they are collected within 60 days after year-end.

Those revenues susceptible to accrual are property taxes, sales taxes, franchise taxes, fines, interest, and charges for services. Licenses and permits are considered to be measurable and available only when cash is received by the City. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

City of Hurst, Texas
Notes to Basic Financial Statements
September 30, 2025

The major governmental funds are:

General Fund: The General Fund is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to another fund are accounted for in this fund. General operating and capital expenditures not paid through other funds are paid from the General Fund.

HCDC Fund: To account for the sales and use tax levied by the City on behalf of HCDC.

Anti-crime Fund: To account for the sales and use tax levied by the City on behalf of HCCPD.

Special Projects Fund: To account for the purchase or construction of building improvements and office machinery and equipment. Financing is provided primarily by transfers from the General Fund.

Internal Service Funds

The internal service funds account for the financing of goods or services provided by one department to other departments of the City on a user charge basis.

Fleet Service Fund: To account for the acquisition and financing of replacement vehicles and the repair and maintenance of vehicles. Operations are financed by charges to the user departments based on vehicle usage.

The Loss Reserve Fund: To account for the City's partially self-insured health care program. The program is financed by charges to user departments based on the number of covered employees and dependents.

Information Services Fund: To account for the personnel and operating costs of information services and the replacement cost of all computer related equipment. Operations are financed by charges to user departments on a cost-reimbursement basis.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Enterprise Fund, Conference and Meeting Center Fund, and Stormwater Fund are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital, lease, and subscription assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The major proprietary funds are:

Water and Sewer Enterprise Fund: To account for providing water and sewer to residential and commercial users and is accounted for using the accrual basis of accounting. This fund accounts for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation and amortization, are recorded in proprietary funds. Unbilled utility service receivables are recorded at each year-end.

Conference and Meeting Center Fund: To account for the operations of the City's conference and meeting center. Fees are charged for use of the center. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation and amortization, are recorded in proprietary funds.

City of Hurst, Texas
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Stormwater Fund: To account for revenues received from a fee charged for the development of the City's storm sewer drainage system. This fund is designated as a major fund.

Fiduciary Fund

The other postemployment benefit (OPEB) trust fund is used to report assets held for beneficiaries to fund future postemployment benefits other than pensions. The City utilizes a trust to hold required contributions for OPEBs. Plan trustees must act in accordance with the specific purposes and terms of the OPEB plan. The accompanying statement of fiduciary net position and statement of changes in fiduciary net position are presented as of and for the year ended December 31, 2024, the Plan's year-end, in accordance with GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 74).

Cash and Cash Equivalents

For purposes of reporting cash flows, the City considers cash and investments with an initial maturity of less than three months as cash and cash equivalents.

Accounts Receivable

Accounts receivable consist primarily of amounts due from citizens for various services provided by the City as well as property taxes and sales taxes receivable. Management evaluates the adequacy of the allowance for doubtful accounts based on a review of the aging of accounts and other specific information known by management.

Investments

Certificates of deposit are stated at cost with interest accrued as earned for government-wide presentation. Investments in external investment pools are carried at either net asset value or amortized cost, as determined by each pool's individual investment valuation method and whether there is a readily determinable fair value of the pool as of the City's fiscal year end. In instances where pools transact at amortized cost, no readily determinable fair value is deemed available. All other investments are stated at fair value at year-end.

The City pools cash and investment for all its funds, to maximize its investment program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested. The deposits and investments of the OPEB Trust Fund are held separately.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of consumable supplies and vehicle repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. A corresponding portion of fund balance is shown as nonexpendable in governmental funds to indicate it is not available for other subsequent expenditures.

City of Hurst, Texas
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Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure such as roads, bridges, drainage systems, and lighting systems are reported at historical cost. Donated capital assets, donated works of art and similar items are reported at acquisition value on the date donated. The minimum capitalization threshold is any item with a total cost greater than \$5,000 and a life greater than one year.

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Assets	
Buildings	10 – 40 Years
Furniture & Fixtures	4 – 10 Years
Improvements OTB	5 – 40 Years
Machinery & Equipment	2 – 30 Years
Streets	15 – 30 Years
Vehicles	2 – 15 Years
Water System	4 – 50 Years
Sewer System	5 – 50 Years
Stormwater System	4 – 40 Years

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Subscription Assets

Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

Lease Receivable

The City is a lessor for various noncancellable leases of its water towers and building space. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

City of Hurst, Texas
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Key estimates and judgments include how the City determines: (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses the lessee's rate, or the rate disclosed in the agreement. If the rate is not readily available, the City uses its incremental borrowing rate as the discount rate.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Compensated Absences

City employees are granted vacation leave in varying amounts depending on length of service. Sick leave is also granted to employees. The City's policy is that leave earned in the current period is used before leave earned in prior periods. In the event of termination, an employee will be paid for all unused vacation leave credit upon separation from employment with the City. Reimbursement is made for unused accumulated sick leave upon termination of employment for fire and police employees, as well as for general employees that meet the following criteria (1) must be retiring (have no intent or acceptance of other full-time employment), (2) must meet TMRS guidelines for retirement, (3) must have worked 10 or more years with the City prior to retirement or 25 years in total with the City and 8 consecutive years prior to retirement. All vacation pay is accrued as vested and included in accrued liabilities in the government-wide and proprietary fund financial statements. The City developed assumptions to estimate general employees more likely than not to retire with the City and accrued those balances in accrued liabilities in the government-wide and proprietary fund financial statements. Accrued vacation and sick pay 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.

Lease Liability

The City is a lessee for noncancellable leases of equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life for lease term, whichever is shorter.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

City of Hurst, Texas
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The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with capital, lease, and subscription assets and lease liabilities are reported with long-term liabilities on the statement of net position.

Defined Benefit Pension Plan

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

Information regarding the City's total pension liability is obtained from TMRS through a report prepared for the City by TMRS' consulting actuary, Gabriel Roeder Smith & Company, in compliance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (GASB 68).

Fund allocation of related balances is determined by individual employee assignment. This assignment is uniform with regard to liquidation of the liability.

Defined Benefit Other Postemployment Benefit Plan

The City has a single employer defined benefit other postemployment (benefit) OPEB plan (Plan). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund allocation of related balances is determined by individual employee assignment. This assignment is uniform with regard to liquidation of the liability.

Interfund Transactions

During the course of normal operations, the City has transactions between funds, including expenditures and transfers of resources to provide services, construct assets and service debt. There is no interest charged between funds for these advances.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable fund balance, is employed by the City. Encumbrances are reported as reservations of fund balances because they do not constitute expenditures or liabilities. The City allows encumbrances to lapse leaving no reservation of fund balance at September 30, 2025.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future reporting period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category:

- Deferred loss on refunding – 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 recognized over the shorter of the life of the refunded or refunding debt.
- Pension contributions after measurement date – These contributions are deferred and reported as a reduction in net pension liability or increase in net pension asset in the year subsequent to their deferral.
- OPEB benefit and premium payments after measurement date – These benefit payments are deferred and reported as a reduction in total OPEB liability in the year subsequent to their deferral.
- Experience difference – Pensions and OPEB –These amounts represent the differences between expected and actual pension and OPEB experience. These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.
- Assumption changes – OPEB –These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.
- Investment difference – OPEB – These amounts represent the difference in projected and actual earnings on OPEB plan assets. These differences are deferred and amortized over a closed five-year period.

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until then. The City has the following items that qualify for reporting in this category:

- Deferred gain on refunding – 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 recognized over the shorter of the life of the refunded or refunding debt.
- Unavailable revenue – This amount represents uncollected property taxes, ambulance, and municipal court fees. This amount is deferred and recognized once payments are received in the following fiscal year. This deferred inflow is recorded only at the fund level.
- Experience difference – OPEB – These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.
- Assumption changes – Pension and OPEB –These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.
- Investment difference – Pensions – These amounts represent the difference in projected and actual earnings on pension plan assets. These differences are deferred and amortized over a closed five-year period.
- Leases – Represents the initial value of the lease receivable under GASB 87 systematically reduced and recognized as lease revenue over the term of the lease. This deferred inflow is recorded at both the fund level and government-wide financial statements.

Unearned Revenue

The funds report a liability, unearned revenue, in connection with resources that have been received, but not yet earned, which consists primarily of Conference & Meeting Center fees collected in advance for future meetings and events.

City of Hurst, Texas
Notes to Basic Financial Statements
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Minimum Fund Balance

City management must institute a plan to achieve and maintain an unassigned fund balance in the general fund equal to no less than 90 days of operating expenditures. The City considers a balance of less than 90 days of operating expenditures to be cause for concern, barring unusual or deliberate circumstances. If unassigned fund balance falls below the goal or has a deficiency, the City will enact its fiscal management plan. The fiscal management plan provides specific language to guide expenditure reduction and/or revenue enhancement actions.

Fund Balance Classifications and Uses

Fund balances are classified as nonspendable, restricted, committed, assigned or unassigned in governmental funds. Nonspendable fund balance cannot be spent, either because it is not in spendable form or because of legal or contractual requirements. Restricted fund balances have constraints for specific purposes which are externally imposed by providers, such as creditors, grantors, or other governments; or by enabling legislation of the City Council. Committed fund balances can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance or resolution. Assigned fund balances are constrained by intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by City management based on Council direction. Unassigned fund balances include residual positive fund balances within the General Fund that had not been classified within the other mentioned categories. Unassigned fund balances may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

When both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance) are available for specified expenditures, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unassigned fund balance. Further, when the components of unassigned fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

A description of the purposes of the restricted, committed, and assigned governmental fund balances at September 30, 2025 follows:

	General Fund	HCDC	Anti-Crime	Special Projects	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable	\$ 22,683	\$ -	\$ -	\$ -	\$ -	\$ 22,683
Restricted for						
Capital projects	-	-	-	-	2,917,036	2,917,036
Community development	23,642	8,333,677	-	-	-	8,357,319
Public safety	1,492,655	-	11,841,153	-	-	13,333,808
Debt service	-	-	-	-	1,281,445	1,281,445
Municipal court	466,130	-	-	-	-	466,130
Parks	558,896	-	-	-	-	558,896
Traffic safety	70,157	-	-	-	-	70,157
Tourism, convention center, arts	3,490,215	-	-	-	-	3,490,215
Urban transit	4,889,808	-	-	-	-	4,889,808
Other	258,950	-	-	-	-	258,950
Assigned						
Capital and special projects	-	-	-	24,889,238	-	24,889,238
Other	23,167	-	-	-	-	23,167
Unassigned	11,576,809	-	-	-	-	11,576,809
Total fund balance	\$ 22,873,112	\$ 8,333,677	\$ 11,841,153	\$ 24,889,238	\$ 4,198,481	\$ 72,135,661

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets consists of capital, lease, and subscription assets, net of accumulated depreciation/amortization, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets, and adding back unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the City's management to make estimates and assumptions that affect reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported changes in net position during the reporting period. Actual results may differ from those estimates.

Prior-Year Comparative Information

The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's basic financial statements for the year ended September 30, 2024.

Adoption of New Accounting Standards

The City adopted GASB Statement No. 101, *Compensated Absences* (GASB 101) for the year ended September 30, 2025. The new accounting guidance updates the recognition and measurement guidance for compensated absences under a unified model. Specifically, the new standard clarifies that a liability should be recorded for compensated absences that are more likely than not to be paid or otherwise settled. Additionally, it amends certain existing disclosure requirements. The adoption of GASB 101 had no impact on the City's beginning of year net position.

The City adopted GASB Statement No. 102, *Certain Risk Disclosures* (GASB 102) for the year ended September 30, 2025. The new accounting guidance requires governments to disclose information about certain concentrations or constraints that could affect services provided or the ability to meet obligations as they come due. The adoption of GASB 102 had no impact on the City's beginning of year net position.

City of Hurst, Texas
Notes to Basic Financial Statements
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Future Adoption of Accounting Principles

The GASB has issued the following potentially significant statements which the City has not yet adopted, and which require adoption subsequent to September 30, 2025. The City will evaluate the potential impact on the City's net position.

Statement No.	Title	Adoption Required
103	<i>Financial Reporting Model Improvements</i>	September 30, 2026
104	<i>Disclosure of Certain Capital Assets</i>	September 30, 2026
105	<i>Subsequent Events</i>	September 30, 2027

Note 2. Deposits and Investments

The City's deposit and investment policies are governed by State statutes and the adopted City Investment Policy. City policies governing bank deposits require depositories to be FDIC-insured institutions and depositories must fully collateralize all deposits in excess of FDIC insurance limits. At September 30, 2025, the City's deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name in the amount of \$10,994,500; as a result, the City's deposits were not exposed to custodial credit risk.

	<u>September 30, 2025</u>
Primary Government	
Cash and cash equivalents:	
Cash deposits	\$ 5,254,557
Investments Pools:	
TexSTAR	16,178,042
Texas CLASS	12,073,783
TexPool	<u>11,355,849</u>
Total investment pools	<u>39,607,674</u>
Total cash and cash equivalents	<u>44,862,231</u>
Investments:	
U.S Treasury Securities	26,065,622
U.S. Agency Securities	8,003,212
Certificates of deposit	<u>33,400,000</u>
Total investments	<u>67,468,834</u>
Total cash, cash equivalents and investments of the primary government	<u>\$ 112,331,065</u>
Fiduciary Fund	
OPEB Trust	<u>8,197,895</u>
Total cash, cash equivalents, and investments of the reporting entity	<u>\$ 120,528,960</u>

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External Investment Pools: The City's pool investments as of September 30, 2025, were invested in TexPool, TexSTAR (Texas Short Term Asset Reserve program) and Texas CLASS.

Each pool's governing body is comprised of individuals who are employees, officers, or elected officials of participants in the funds or who do not have a business relationship with the fund and are qualified to advise. Investment objective and strategies of the pools are to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. Pools offer same day access to investment funds.

Federated Investors is the full-service provider for the TexPool program. As the provider, the responsibilities include managing the assets, providing participant services, and arranging for all custody and other functions in support of the operations under a contract with the State Comptroller of Public Accounts. JPMorgan Investment Management (JPMIM) and Hilltop Securities, Inc. (HSAM) serve as co-administrators for TexSTAR under an agreement with the TexSTAR board of directors. JPMIM serves as an investment advisor to TexSTAR, while HSAM provides administrative participant support and marketing services.

TexSTAR, TexPool and Texas CLASS are not registered with the Securities and Exchange Commission (SEC) as investment companies. TexSTAR, TexPool and Texas CLASS are investment pools that have been organized in conformity with the Chapters 791, the *Interlocal Cooperation Act*, and 2256, the *Public Funds Investment Act*, of the Texas Government Code.

Investments in TexPool are carried at amortized cost, while TexSTAR and Texas CLASS are carried at net asset value.

Investments: The City's investments, excluding OPEB trust fund investments discussed on the following page, are registered or held by the City or its agent in the City's name at September 30, 2025, and are as follows:

	<u>Value</u>	<u>Weighted Average (Years)</u>
Certificates of deposit	\$ 33,400,000	1.21
Investment pools	39,607,674	3.94
U.S. Treasury Obligations	26,065,622	1.49
Federal Agency Securities	<u>8,003,212</u>	<u>1.48</u>
Portfolio weighted average maturity	<u>\$ 107,076,508</u>	<u>2.03</u>

Interest Rate Risk: In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit Risk: Statutes authorize the City to invest in obligations of the United States of America, its agencies, and instrumentalities, in obligations of the State of Texas and related agencies, in obligations of states, agencies, counties, cities and other political subdivisions of any state rated "A" or above by Standard & Poor's or Moody's, repurchase agreements and designated investment pools. The City's investment in TexPool, Texas Class and TexSTAR are all rated AAA by Standard & Poor's.

Custodial Credit Risk: The City invests in certificates of deposit at a bank with initial maturities greater than three months. These certificates of deposit are collateralized by securities held in the City's name by pledging financial institutions.

City of Hurst, Texas
Notes to Basic Financial Statements
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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 Trust Fund investments are carried at fair value of \$8,197,895 as of December 31, 2024. The investment in master trust is classified in Level 3 of the fair value hierarchy using quoted market prices of the mutual funds owned by the trust, allocated among members. The Trust's funds are invested in equity 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. PARS provides its participants a range of investment strategies, and the City has selected the PARS Balanced Strategic Blend Portfolio. The goal of the Plan's investment program is to generate adequate long-term returns that, when combined with contributions, will result in sufficient assets to pay present and future obligations to the Plan. The Balanced Portfolio's goal is to provide growth of both principal and income. The OPEB Plan does not have a formal policy for custodial credit risk. As of December 31, 2024, all investments are registered in the name of the OPEB Plan's custodian established through a master trust custodial agreement.

Fair Value of Assets: Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2025:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Observable Inputs (Level 3)
Investments by Fair Value Level				
U.S. Treasury Securities	\$ 26,065,622	\$ 26,065,622	\$ -	\$ -
U.S. Agency Securities	8,003,212	3,998,175	4,005,037	-
Investment in Master Trust	8,197,895	-	-	8,197,895
Total investments by fair value level	42,266,729	\$ 30,063,797	\$ 4,005,037	\$ 8,197,895
Investments measured at Net Asset Value - TexSTAR	16,178,042			
Investments measured at Net Asset Value - Texas CLASS	12,073,783			
Investments measured at Amortized Cost - TexPool	11,355,849			
Non-negotiable Certificates of Deposit - Amortized Cost	33,400,000			
Total investments	\$ 115,274,403			

City of Hurst, Texas
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Certain investments that are measured using the net asset value per share (or its equivalent) or amortized cost have not been classified in the fair value hierarchy.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. Investment in Master Trust is classified as Level 3 as there is limited trade information. These securities are priced using the last trade price.

Note 3. Property Tax

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and certain personal property located in the City. The total assessed value upon which the fiscal 2025 levy is based is approximately \$5,195,162,000. Such assessed value is computed based on 100% appraised values.

General property taxes are limited by the Texas Constitution to \$2.50 per \$100 of assessed valuation and by the City's Home Rule Charter to \$1.50 per \$100 of assessed valuation. The combined tax rate to finance general governmental service and debt service for the year ended September 30, 2025, is \$0.591234 per \$100 of assessed valuation.

Property taxes attach as an enforceable lien on property as of January 1 following the levy date. Taxes are due by January 31 following the levy date. Current tax collections for the year ended September 30, 2025, are approximately 99% of the tax levy.

Note 4. Net Receivables

Net receivables consist of the following at September 30, 2025:

	<u>2025</u>
Governmental Activities	
Taxes receivable	\$ 4,171,506
Charges to users	3,485,802
Interest	913,964
Other	<u>831,289</u>
Total governmental activities net receivables	<u>9,402,561</u>
Business-type Activities	
Charges to users	3,057,792
Interest	376,229
Other	<u>165,965</u>
Total business-type activities net receivables	<u>3,599,986</u>
Total net receivables	<u><u>\$ 13,002,547</u></u>

City of Hurst, Texas
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The applicable allowance for doubtful accounts at September 30, 2025, included in the net receivables above is as follows:

\$427,118 for taxes receivable in the general fund and \$2,688,704 for charges to users receivables in the general fund, which consists of court and ambulance billing, \$69,090 for taxes receivable in the debt service fund, and \$6,941 for charges to users in the water and sewer fund.

Note 5. Lease Receivable

The City leases a portion of its property to various companies who use the space to conduct their operations, the terms of which expire 2026 through 2044. The measurement of the lease receivable is based on the present value of lease payments expected to be received during the lease term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee.

The City recognized \$55,293 in lease revenue and \$7,594 in interest revenue during the current fiscal year related to leases. As of September 30, 2025, the City's receivable for lease payments was \$123,841 for governmental activities and \$23,995 for business-type activities. Also, the City has a deferred inflow of resources associated with leases that will be recognized as revenue over the lease term. As of September 30, 2025, the balance of the deferred inflow of resources was \$112,960 for governmental activities and \$20,285 for business-type activities.

The following is a schedule by year of minimum payments to be received under the City's leases that are included in the measurement of the lease receivable as of September 30, 2025:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2026	\$ 14,292	\$ 5,149	\$ 19,441
2027	4,155	4,829	8,984
2028	4,346	4,638	8,984
2029	4,546	4,437	8,983
2030	4,755	4,228	8,983
2031-2035	27,258	17,640	44,898
2036-2040	34,121	10,751	44,872
2041-2044	30,368	2,517	32,885
Total	\$ 123,841	\$ 54,189	\$ 178,030

Year Ending September 30,	Business-Type Activities		
	Principal	Interest	Total
2026	\$ 20,489	\$ 584	\$ 21,073
2027	3,506	7	3,513
Total	\$ 23,995	\$ 591	\$ 24,586

City of Hurst, Texas
Notes to Basic Financial Statements
September 30, 2025

Note 6. Capital, Lease, and Subscription Assets

A summary of changes in governmental activities capital, lease, and subscription assets is as follows:

	Balance October 1, 2024	Additions	Disposals	Transfers	Balance September 30, 2025
Capital Assets Not Being Depreciated					
Land	\$ 64,229,637	\$ 598,209	\$ -	\$ 929,869	\$ 65,757,715
Construction in progress	12,339,899	6,607,897	-	(9,208,707)	9,739,089
Total capital assets not being depreciated	<u>76,569,536</u>	<u>7,206,106</u>	<u>-</u>	<u>(8,278,838)</u>	<u>75,496,804</u>
Capital, Lease, and Subscription Assets Being Depreciated/Amortized					
Buildings and improvements	104,651,964	248,425	(1,353,668)	406,045	103,952,766
Improvements other than buildings	168,595,844	398,063	-	4,676,025	173,669,932
Machinery and equipment	36,019,982	1,428,600	(180,192)	3,196,768	40,465,158
Lease equipment	1,698,857	-	-	-	1,698,857
Subscription assets	2,343,486	160,519	(45,023)	-	2,458,982
Total depreciable	<u>313,310,133</u>	<u>2,235,607</u>	<u>(1,578,883)</u>	<u>8,278,838</u>	<u>322,245,695</u>
Less Accumulated Depreciation/Amortization for					
Buildings and improvements	(58,923,733)	(3,280,537)	135,367	-	(62,068,903)
Improvements other than buildings	(144,147,205)	(3,592,563)	-	-	(147,739,768)
Machinery and equipment	(31,234,809)	(1,665,354)	180,192	-	(32,719,971)
Lease equipment	(96,905)	(186,635)	-	-	(283,540)
Subscription assets	(1,049,301)	(554,995)	45,023	-	(1,559,273)
Total accumulated depreciation/amortization	<u>(235,451,953)</u>	<u>(9,280,084)</u>	<u>360,582</u>	<u>-</u>	<u>(244,371,455)</u>
Total depreciable - net	<u>77,858,180</u>	<u>(7,044,477)</u>	<u>(1,218,301)</u>	<u>8,278,838</u>	<u>77,874,240</u>
Governmental activities capital, lease, and subscription assets, net	<u>\$ 154,427,716</u>	<u>\$ 161,629</u>	<u>\$ (1,218,301)</u>	<u>\$ -</u>	<u>\$ 153,371,044</u>

Depreciation/amortization is charged to functions as follows:

	<u>2025</u>
Governmental Activities	
General government	\$ 1,609,461
Public safety	2,049,337
Culture and recreation	2,479,467
Public works	1,935,985
Fleet	662,230
Information services	543,604
Total governmental activities depreciation and amortization expense	<u>\$ 9,280,084</u>

Depreciation/amortization on capital, lease, and subscription assets held by the City's Internal Service Funds, which are predominantly related to governmental activities, is charged to various functions based on their usage of the assets and included in the amounts above.

City of Hurst, Texas
Notes to Basic Financial Statements
September 30, 2025

Construction in progress consists of the following at September 30, 2025:

	Project Authorization	Expended Through September 30, 2025	Committed September 30, 2025
Community Services Improvements	\$ 375,510	\$ 237,607	\$ 137,903
Street Improvements	7,143,049	6,940,653	202,396
Other	4,795,245	2,560,828	2,234,417
Total	\$ 12,313,804	\$ 9,739,089	\$ 2,574,716

The “project authorization” and “committed” amounts above are based on City estimates of total project costs.

A summary of changes in business-type capital and subscription assets follows:

	Balance October 1, 2024	Additions	Disposals	Transfers	Balance September 30, 2025
Capital Assets Not Being Depreciated					
Land	\$ 564,612	\$ -	\$ -	\$ -	\$ 564,612
Construction in progress	6,061,998	13,907,773	-	(3,397,785)	16,571,986
	<u>6,626,610</u>	<u>13,907,773</u>	<u>-</u>	<u>(3,397,785)</u>	<u>17,136,598</u>
Capital Assets Being Depreciated					
Utility plant in service	94,023,210	923,543	-	3,261,173	98,207,926
Buildings and improvements	1,228,097	9,452	-	-	1,237,549
Machinery and equipment	3,999,686	8,816	-	136,612	4,145,114
Subscription assets	-	118,560	-	-	118,560
	<u>99,250,993</u>	<u>1,060,371</u>	<u>-</u>	<u>3,397,785</u>	<u>103,709,149</u>
Less Accumulated Depreciation for					
Utility plant in service	(44,893,046)	(1,880,946)	-	-	(46,773,992)
Buildings and improvements	(742,500)	(38,946)	-	-	(781,446)
Machinery and equipment	(3,123,346)	(239,578)	-	-	(3,362,924)
Subscription assets	-	(4,940)	-	-	(4,940)
	<u>(48,758,892)</u>	<u>(2,164,410)</u>	<u>-</u>	<u>-</u>	<u>(50,923,302)</u>
Total depreciable and amortizable - net	<u>50,492,101</u>	<u>(1,104,039)</u>	<u>-</u>	<u>3,397,785</u>	<u>52,785,847</u>
Business-type activities capital and subscription assets, net	<u>\$ 57,118,711</u>	<u>\$ 12,803,734</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,922,445</u>

Construction in progress consists of the following at September 30, 2025:

	Project Authorization	Expended Through September 30, 2025	Committed September 30, 2025
Water	\$ 19,669,484	\$ 16,038,967	\$ 3,630,517
Sewer	500,000	37,569	462,431
Other	473,837	495,450	(21,614)
Total	\$ 20,643,320	\$ 16,571,986	\$ 4,071,334

City of Hurst, Texas
Notes to Basic Financial Statements
September 30, 2025

Note 7. Long-term Liabilities

The following is a summary of changes in long-term liabilities of the City for the years ended September 30, 2025:

	Balance October 1, 2024	Additions	Reductions	Balance September 30, 2025	Current Portion
Governmental Activities					
Bonds payable and premiums					
General obligation bonds	\$ 28,870,000	\$ -	\$ (2,545,000)	\$ 26,325,000	\$ 2,245,000
Certificates of obligation	14,675,000	1,820,000	(930,000)	15,565,000	1,260,000
Loan from Direct Borrowing	255,000	-	(85,000)	170,000	85,000
Premium	2,016,977	43,119	(202,025)	1,858,071	211,246
Lease liabilities	1,441,638	-	(152,777)	1,288,861	160,594
Subscription liabilities	589,652	124,040	(266,694)	446,998	249,273
Total long-term debt	47,848,267	1,987,159	(4,181,496)	45,653,930	4,211,113
Compensated absences	8,761,903	-	(2,456,738)	6,305,165	1,171,639
Governmental Activities Long-term liabilities	<u>\$ 56,610,170</u>	<u>\$ 1,987,159</u>	<u>\$ (6,638,234)</u>	<u>\$ 51,959,095</u>	<u>\$ 5,382,752</u>
Business-type Activities					
Bonds payable and premiums					
General obligation bonds	\$ 2,515,000	\$ -	\$ (735,000)	\$ 1,780,000	\$ 450,000
Certificates of obligation	3,670,000	2,750,000	(180,000)	6,240,000	365,000
Premium	270,155	63,843	(45,178)	288,820	45,014
Subscription liabilities	-	118,560	(31,533)	87,027	27,574
Total bonds payable	6,455,155	2,932,403	(991,711)	8,395,847	887,588
Compensated absences	575,103	209,119	-	784,222	162,545
Business-type Activities Long-term liabilities	<u>\$ 7,030,258</u>	<u>\$ 3,141,522</u>	<u>\$ (991,711)</u>	<u>\$ 9,180,069</u>	<u>\$ 1,050,133</u>

Changes in compensated absences balances are reflected net.

City of Hurst, Texas
Notes to Basic Financial Statements
September 30, 2025

Governmental Activities

	<u>Outstanding</u>	<u>Due Next Year</u>
Certificates of Obligation		
\$7,355,000 Series 2014 Certificates of Obligation due in annual installments of \$265,000 to \$495,000 through August 2034, plus interest at 3.00% to 3.75%	\$ 3,875,000	\$ 375,000
\$3,750,000 Series 2015 Certificates of Obligation due in annual installments of \$95,000 to \$185,000 through August 2035, plus interest at 2.00% to 4.00%	1,550,000	130,000
\$4,905,000 Series 2016 Certificates of Obligation due in annual installments of \$175,000 to \$345,000 through August 2036, plus interest at 2.00% to 4.00%	3,140,000	235,000
\$1,950,000 Series 2019 Certificates of Obligation due in annual installments of \$70,000 to \$125,000 through August 2038, plus interest at 3.00%	1,485,000	325,000
\$1,975,000 Series 2022 Certificates of Obligation due in annual installments of \$60,000 to \$100,000 through August 2033, plus interest at 4.00% to 5.00%	1,780,000	70,000
\$1,975,000 Series 2024 Certificates of Obligation due in annual installments of \$60,000 to \$140,000 through August 2044, plus interest at 4.00% to 5.00%	1,915,000	65,000
\$1,820,000 Series 2025 Certificates of Obligation due in annual installments of \$60,000 to \$140,000 through August 2045, plus interest at 3.85% to 5.00%	<u>1,820,000</u>	<u>60,000</u>
Total certificates of obligation	<u>\$ 15,565,000</u>	<u>\$ 1,260,000</u>

City of Hurst, Texas
Notes to Basic Financial Statements
September 30, 2025

	<u>Outstanding</u>	<u>Due Next Year</u>
General Obligation Bonds		
\$5,705,000 Series 2013 General Obligation Refunding Bonds due in annual installments of \$290,000 to \$585,000 through August 2026, interest at 2.00% to 3.50%	\$ 460,000	\$ 460,000
\$4,915,000 Series 2015 General Obligation Refunding Bonds due in annual installments of \$10,000 to \$370,000 through August 2027, interest at 2.00% to 4.00%	735,000	365,000
\$1,345,000 Series 2016 General Obligation Refunding Bonds due in annual installments of \$5,000 to \$160,000 through September 2028, interest at 2.00% to 4.00%	460,000	150,000
\$4,945,000 Series 2016 General Obligation Refunding Bonds due in annual installments of \$15,000 to \$340,000 through September 2038, interest at 2.00% to 4.00%	3,585,000	220,000
\$4,950,000 Series 2016 General Obligation Refunding Bonds due in annual installments of \$15,000 to \$340,000 through September 2038, interest at 2.00% to 4.00%	3,585,000	220,000
\$1,500,000 Series 2017 General Obligation Refunding Bonds due in annual installments of \$15,000 to \$190,000 through August 2029, interest at 2.190%	635,000	175,000
\$7,225,000 Series 2019 General Obligation Bonds due in annual installments of \$250,000 to \$470,000 through August 2039, interest at 2.5% to 4.5%	5,550,000	85,000
\$13,350,000 Series 2021 General Obligation Bonds due in annual installments of \$130,000 to \$800,000 through September 2042, interest at .22% to 2.83%	<u>11,315,000</u>	<u>570,000</u>
Total general obligation bonds	<u>\$ 26,325,000</u>	<u>\$ 2,245,000</u>

City of Hurst, Texas
Notes to Basic Financial Statements
September 30, 2025

Business-type Activities

	<u>Outstanding</u>	<u>Due Next Year</u>
Certificates of Obligation		
\$3,750,000 Series 2015 Certificates of Obligation due in annual installments of \$40,000 to \$80,000 through August 2035, plus interest at 2.00% to 4.00%	\$ 665,000	\$ 150,000
\$1,360,000 Series 2018 Certificates of Obligation due in annual installments of \$60,000 to \$75,000 through August 2038, plus interest at 0.13% to 1.53%	910,000	65,000
\$1,975,000 Series 2024 Certificates of Obligation due in annual installments of \$60,000 to \$140,000 through August 2044, plus interest at 4.00% to 5.00%	1,915,000	65,000
\$2,750,000 Series 2025 Certificates of Obligation due in annual installments of \$85,000 to \$195,000 through August 2045, plus interest at 3.85% to 5.00%	<u>2,750,000</u>	<u>85,000</u>
Total certificates of obligation	<u>\$ 6,240,000</u>	<u>\$ 365,000</u>
General Obligation Refunding Bonds		
\$4,915,000 Series 2015 General Obligation Refunding Bonds due in annual installments of \$5,000 to \$160,000 through August 2027, interest at 2.00% to 4.00%	310,000	55,000
\$1,070,000 Series 2016 General Obligation Refunding Bonds due in annual installments of \$90,000 to \$125,000 through September 2028, interest at 2.00% to 4.00%	360,000	115,000
\$2,350,000 Series 2017 General Obligation Refunding Bonds due in annual installments of \$25,000 to \$285,000 through August 2029, interest of 2.190%	<u>1,110,000</u>	<u>280,000</u>
Total general obligation bonds	<u>\$ 1,780,000</u>	<u>\$ 450,000</u>

City of Hurst, Texas
Notes to Basic Financial Statements
September 30, 2025

Certain bond issues contain a provision that allows the City to prepay or call the bonds at no premium.

The annual requirements including interest to amortize all long-term debt outstanding at September 30, 2025, are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 3,590,000	\$ 1,374,414	\$ 815,000	\$ 292,647
2027	3,220,000	1,265,416	845,000	268,836
2028	2,790,000	1,160,239	680,000	240,607
2029	2,725,000	1,068,215	570,000	218,618
2030	2,670,000	982,653	320,000	200,974
2031-2035	14,200,000	3,533,762	1,780,000	803,937
2036-2040	9,875,000	1,356,371	1,550,000	476,845
2041-2045	2,990,000	217,252	1,460,000	176,400
Total	<u>\$ 42,060,000</u>	<u>\$ 10,958,322</u>	<u>\$ 8,020,000</u>	<u>\$ 2,678,864</u>

Loan from Direct Borrowing

During 2020, the City entered into a loan agreement with First National Bank of Texas for \$575,000, Series 2020 Public Property Finance Contractual Obligation. The loan is due in annual installments of \$75,000 to \$90,000 through 2027, plus interest of 2.75%. Balance due as of September 30, 2025 is \$170,000.

Lease Liability

The City leases equipment to conduct its operations, the terms of which expires 2027 and 2033. The measurement of the lease payables is based on the present value of lease payments expected to be paid during the lease term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee.

As of September 30, 2025, the value of the lease liabilities was \$1,288,861. An incremental borrowing rate of 5 percent was used to measure the lease liabilities. The value of the right-to-use assets as of September 30, 2025 was \$1,698,857 and had accumulated amortization of \$283,540.

City of Hurst, Texas
Notes to Basic Financial Statements
September 30, 2025

The future principal and interest payments for lease liabilities as of September 30, 2025, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total Requirements
2026	\$ 160,594	\$ 62,929	\$ 223,523
2027	168,810	54,558	223,368
2028	140,645	47,322	187,967
2029	147,841	40,036	187,877
2030	155,405	32,378	187,783
2031 - 2033	515,566	47,160	562,726
Total	\$ 1,288,861	\$ 284,384	\$ 1,573,245

Subscription Liability

The City has subscription IT arrangements to conduct its operations, the terms of which expire 2026 through 2029. The measurement of the subscription liabilities is based on the present value of subscription payments expected to be paid during the subscription term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any subscription incentives payable.

At September 30, 2025, the value of the subscription liabilities was \$446,998 and \$87,027 for governmental and business-type activities, respectively. An incremental borrowing rate of 5 percent was used to measure subscription liabilities. The value of the right-to-use subscription assets as of September 30, 2025, was \$2,458,982 and \$118,560 for governmental and business-type activities, respectively, and had accumulated amortization of \$1,559,273 and \$4,940 for governmental and business-type activities, respectively.

The future principal and interest payments for subscription liabilities as of September 30, 2025, are as follows:

Year Ending September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total Requirements	Principal	Interest	Total Requirements
2026	\$ 249,273	\$ 14,834	\$ 264,107	\$ 27,574	\$ 4,452	\$ 32,026
2027	170,046	2,592	172,638	28,985	3,042	32,027
2028	19,589	819	20,408	30,468	1,559	32,027
2029	8,090	210	8,300	-	-	-
Total	\$ 446,998	\$ 18,455	\$ 465,453	\$ 87,027	\$ 9,053	\$ 96,080

Note 8. Defined Benefit Pension Plan

Plan Description: The City participates as one of over 900 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the *TMRS Act*, Subtitle G, Title 8, Texas Government Code (TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com.

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

Benefits Provided: TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the Member’s benefit is calculated as if the sum of the Member’s contributions, with interest, and the City-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

A summary of plan provisions for the City are as follows:

Employee deposit rate:	7%
Matching ratio (City to Employee):	2 to 1
Years required for vesting	5 years
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated service credit	100% repeating
Annuity increase to retirees*	30% of CPI-U

*TMRS allows cities to calculate Cost of Living Adjustments (COLAs) for retirees on an annual or ad hoc basis. The City has opted for the ad hoc basis calculation.

At the December 31, 2024, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	358
Inactive employees entitled to but not yet receiving benefits	258
Active employees	351
	<hr/>
	967
	<hr/> <hr/>

City of Hurst, Texas
Notes to Basic Financial Statements
September 30, 2025

Contributions: Member contribution rates in TMRS are either 5%, 6%, or 7% of the Member's total compensation, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City of Hurst were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City of Hurst were 14.66% and 13.75% in calendar years 2025 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were \$4,479,609 and were equal to the required contributions.

Net Pension Liability: The City's net pension liability (NPL) was measured as of December 31, 2024, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The total pension liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified:

Investment rate of return	6.75%, net of pension plan investment expense, including inflation
Inflation	2.50%
Overall payroll growth	2.75% per year, adjusted down for population declines, if any

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB (10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

City of Hurst, Texas
Notes to Basic Financial Statements
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The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Global equity	35.00%	7.10%
Core fixed income	6.00%	5.00%
Non-core fixed income	6.00%	6.80%
Hedge funds	5.00%	6.40%
Private equity	13.00%	8.50%
Private debt	13.00%	8.20%
Real estate	12.00%	6.70%
Infrastructure	6.00%	6.00%
Other private markets	4.00%	7.30%
 Total	 <u>100.00%</u>	

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

City of Hurst, Texas
Notes to Basic Financial Statements
September 30, 2025

Changes in the Net Pension Liability	Total Pension Liability (a)	Plan Fiduciary Assets (b)	Net Pension Liability (a) - (b)
Balance at October 1, 2024	\$ 213,929,552	\$ 182,917,057	\$ 31,012,495
Changes for the year			
Service cost	5,041,354	-	5,041,354
Interest	14,188,003	-	14,188,003
Difference between expected and actual experience	3,267,431	-	3,267,431
Contributions – employer	-	4,222,313	(4,222,313)
Contributions – employee	-	2,165,880	(2,165,880)
Net investment income	-	18,946,266	(18,946,266)
Benefit payments, including refunds of employee contributions	(12,515,171)	(12,515,171)	-
Administrative expense	-	(121,892)	121,892
Other changes	-	(2,850)	2,850
Net changes	9,981,617	12,694,546	(2,712,929)
Balance at September 30, 2025	<u>\$ 223,911,169</u>	<u>\$ 195,611,603</u>	<u>\$ 28,299,566</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 56,971,416	\$ 28,299,566	\$ 4,495,801

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at tmrs.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended September 30, 2025, the City recognized pension expense of \$6,814,559.

City of Hurst, Texas
Notes to Basic Financial Statements
September 30, 2025

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,011,352	\$ -
Changes in assumptions	-	464,200
Net difference between projected and actual earnings on pension plan investments	-	1,734,613
Contributions subsequent to the measurement date	<u>3,253,428</u>	<u>-</u>
Total	<u>\$ 7,264,780</u>	<u>\$ 2,198,813</u>

\$3,253,428 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30,	Net Deferred Outflows/ (Inflows) of Resources
2026	\$ 2,152,104
2027	3,480,765
2028	(2,500,457)
2029	<u>(1,319,873)</u>
Total	<u>\$ 1,812,539</u>

City of Hurst, Texas
Notes to Basic Financial Statements
September 30, 2025

Note 9. Interfund Balances

Interfund Due To/Due From balances are primarily related to balances of working capital loans made between the funds listed below, which are expected to be collected in the subsequent year. At September 30, 2025, the respective interfund balances are as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 2,653,707	\$ -
Special Projects Capital Projects Fund	-	229,563
Nonmajor Governmental funds	-	2,425,144
Water and Sewer Fund	1,000	-
	<u>\$ 2,654,707</u>	<u>\$ 2,654,707</u>

A summary of interfund transfers for the year ended September 30, 2025, follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 762,289	\$ 5,959,094
HCDC Special Revenue Fund	40,899	1,226,269
Anti-Crime Special Revenue Fund	51,899	-
Special Projects Capital Projects Fund	4,543,506	2,136,175
Nonmajor governmental funds	1,586,199	-
Water and Sewer Fund	92,664	-
Conference and Meeting Center Fund	94,373	-
Stormwater Fund	13,354	-
Nonmajor enterprise funds	-	150,814
Internal service funds	2,287,169	-
	<u>\$ 9,472,352</u>	<u>\$ 9,472,352</u>

Transfers are used to: (1) move revenues from the fund that statute or budget requires to collect them to the fund that the statute or budget requires to expend them and (2) use unrestricted revenues in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

For the year ended September 30, 2025, the City made the following one-time transfers:

The General Fund transferred \$4,442,692 to the Special Projects Fund to cover future pay-go projects, and \$1,124,472 to the Loss Reserve Fund to cover health care cost. This transfer is done at year-end and only includes reserves in excess of 90 days of operation. The General Fund also transferred \$32,000 to the HCDC Fund for Recreation Center HVAC units.

To cover annual debt service expenditures, the HCDC Special Revenue Fund transferred \$1,226,269 to the HCDC Debt Service Fund (Nonmajor Governmental fund) and the General Fund transferred \$359,930 to the Hotel Motel Debt Service Fund (Nonmajor Governmental fund).

City of Hurst, Texas
Notes to Basic Financial Statements
September 30, 2025

The Special Projects Fund transferred \$215,000 to the Fleet Services Fund for the purchase of equipment for a new fire engine, and transferred \$927,666 to the Information Services Fund for the purchase of network switches and data back-up services. The Special Projects Fund also transferred \$993,509 to multiple funds to cover the cost of the one-time lump sum payroll.

The Hurst Public Facility Corporation Fund (Nonmajor enterprise fund) transferred \$100,814 to the Special Projects Fund to assist with demoing recently acquired properties for redevelopment.

The Val Oaks Fund (Nonmajor enterprise fund) transferred \$50,000 to the Brookside Fund to assist with maintenance expenditures for recently acquired property on W. Pipeline Road.

Note 10. Indirect Cost/Street Rental Fees

The General Fund provides certain general and administrative services and use of the City's streets to the proprietary fund types. Charges for such services totaled \$5,791,263 in 2025 and are reflected as reductions of expenditures in the General Fund and as expenses in the proprietary fund types.

Note 11. Contingent Liabilities

Grant Programs

The City participates in a number of state and federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Litigation

The City is party to several legal actions arising in the ordinary course of business. In the opinion of the City's legal counsel and management, the City has adequate legal defense and/or insurance coverage regarding each of these actions and does not believe that they will materially affect the City's operations or financial position. The amount of ultimate loss, if any, could differ materially.

Note 12. 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; injuries to employees; and natural disasters. To transfer some of the financial risk that would occur from these exposures, the City carries general, law enforcement, errors and omissions, automobile liability, and worker's compensation insurance. The City also carries real and personal, flood and earthquake, boiler and machinery, and mobile equipment property insurance. Coverage amounts and deductibles vary. Property losses are insured on an "all-risk" basis with a basic \$10,000 deductible. The City also purchased fidelity bonds and insurance to protect the City from employee dishonesty and theft by others. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in each of the past three fiscal years.

The City established a Loss Reserve Fund (an internal service fund) to account for and finance its uninsured risks of loss for the City's largest uninsured category, employee health care benefits. Under this program, the fund pays for medical claims and administrative costs to the health care provider. The administrative costs include an annual amount for coverage of claims exceeding \$150,000 per covered person, a cost for potential claims after an attachment point of approximately \$5,400,000 per year and costs of administering the program, about \$1,500 per employee. During the course of the program, the attachment point for aggregate claims has never been reached.

All operating funds of the City make payments to the Loss Reserve Fund based on estimates of the amounts needed to pay prior and current year claims and to adjust a reserve for catastrophic losses. A consulting firm provides an analysis.

Accrued claims payable, including claims that are incurred but not reported, are recorded as fund accounts payable liabilities. The provision for claims is determined by estimating the amount which will ultimately be paid based on the City's experience.

Changes in the Funds' claims liability amount and administrative service amounts in fiscal years 2025 and 2024 are as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	End of Fiscal Year Liability
Loss Reserve Fund				
2023-2024	\$ 338,534	\$ 9,821,986	Claims \$ 7,766,854 ASO \$ 1,954,411	\$ 439,255
2024-2025	\$ 439,255	\$ 8,615,069	Claims \$ 8,457,455 ASO \$ 2,148,388	\$ 596,869
General Fund – General Liability				
2023-2024	\$ 100,000	\$ -	\$ -	\$ 100,000
2024-2025	\$ 100,000	\$ -	\$ -	\$ 100,000

Note 13. Other Postemployment Benefit (OPEB) Plan

Plan Description

The City offers retired employees and their dependents the option to retain health and dental insurance coverage under the City's plan through a single employer defined benefit OPEB plan administered by the City of Hurst Post-Retirement Health Care Plan Trust. Public Agency Retirement Services (PARS) is the Trust Administrator. The governing body of the Trust is composed of a coalition of member public agencies. Each member public agency appoints its individual plan administrator to serve as a member of the governing body. Certain provisions of the Trust may be changed by a two-thirds vote of the members of the governing body.

The plan does not issue a stand-alone financial report. For inquiries relating to the plan, please contact: The City Finance Office at 1505 Precinct Line Road, Hurst, Texas, 76054. A more detailed description of the plan is as follows:

Eligibility

The benefit is available to retirees and their spouses.

An employee must resign and satisfy the requirements for service retirement under the TMRS with at least 10 years of consecutive full-time service with the City immediately prior to retirement or, effective April 1, 2002, have a minimum of 25 years of full-time service with the City including a minimum of eight consecutive years of full-time service with the City immediately prior to retirement.

A retiree or his/her spouse is INELIGIBLE for coverage if he or she is eligible for any other group coverage through employment and will be required to certify this information.

A retiree/spouse who is not eligible when the employee retires is not eligible to rejoin at a later date. If an eligible retiree/spouse waives coverage at any time, they are not eligible for reinstatement in the future.

Benefits Provided

AFTER AGE 65 – Enroll in Medicare Advantage Plan, currently Humana. For each qualified retiree/spouse the City will contribute to the cost of a Group Medicare Advantage Plan for the eligible retiree/spouse in lieu of coverage through the City of Hurst Retiree Health Plan (retiree/spouse must be eligible to enroll). Eligible participating retirees and spouses age 65+ have the option to select a supplementary Medigap policy or another Medicare Advantage plan of their choice, and the City will reimburse the retiree and/or spouse what the City would have contributed for the retiree and/or spouse to the currently provided Medicare Advantage plan with documentation of the retiree's and/or spouse's monthly payment for the alternative policy/plan. The retiree and/or spouse will be responsible for the remainder of the premium. Eligible retirees/spouses must enroll in Medicare once eligible and pay the Medicare premiums.

BEFORE AGE 65 – Enroll in the City's Retiree Health Plan. The City will contribute to the cost of the eligible retiree/spouse/dependent coverage. The eligible retiree will also contribute towards this coverage and the cost will vary based on the eligible retiree's years of consecutive full-time service to the City immediately prior to TMRS service retirement and level of coverage. Upon reaching the age of 65, the retiree/spouse will have the AFTER AGE 65 options listed above.

City of Hurst, Texas
Notes to Basic Financial Statements
September 30, 2025

Surviving Dependents

If an eligible retiree and his/her eligible dependents are covered by the City of Hurst Retiree Health Plan and the retiree dies:

The surviving spouse may continue as a survivor under the plan up to age 65. He/she may continue eligible dependent coverage with the City's plan by paying the applicable retiree/dependent cost based on the retiree's years of consecutive service with the City of Hurst immediately prior to the eligible retiree's TMRS service retirement. Surviving spouses/dependents must continue to meet eligibility requirements.

At age 65, the surviving spouse may be covered by the City's Medicare Advantage plan in effect at the time by paying 100% of the Medicare Advantage premium as long as he/she continues to meet eligibility requirements. Retiree reimbursement option is not available to surviving spouses.

Life Insurance

Effective for employees retiring October 1, 1997, or later, the City continues life insurance for the retiree at 50% of the City provided life insurance the retiree had as an active employee at no cost to the retiree. Effective October 1, 2011, the maximum retiree life insurance is \$75,000. The amount of retiree life insurance coverage is subject to the same percentage reductions as active employees at age 70 or older.

Dental

Eligible retirees may continue the dental coverage they had for themselves and their eligible dependents on their date of retirement by paying 100% of the premium. There is no City contribution.

IMPORTANT NOTICE: THE CITY RESERVES THE RIGHT TO AMEND, MODIFY, AND/OR TERMINATE ITS PARTICIPATION WITH RETIREE COVERAGE AT ANY TIME. NO PERSON SHALL BE VESTED IN ANY RIGHT UNDER THIS POLICY OF RETIREE COVERAGE.

A measurement date of December 31, 2024, was used for the September 30, 2025, liability and expense. The information that follows was determined as of a valuation date of December 31, 2023.

At December 31, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	195
Active employees	<u>332</u>
Total employees	<u><u>527</u></u>

The City Manager has the authority to establish and amend the benefit terms of the OPEB plan. Though the City has established a trust under the OPEB plan, the City employs a pay-as-you-go method for funding annually required benefit payments.

Investments

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation are summarized in the Asset Class table noted below.

City of Hurst, Texas
Notes to Basic Financial Statements
September 30, 2025

Investment Policy

The plan's policy in regard to the allocation of invested assets is established by the City. The current asset allocation policy for the plan year ended December 31, 2024, is as follows:

Asset Class	Target Allocation
Equity	54.00%
Diversifying	6.00%
Fixed income	38.00%
Cash	2.00%
Total	<u>100.00%</u>

Concentrations

All of the Plan's investments are held with Public Agency Retirement Services in the Balanced Strategy Blend Fund.

Rate of Return

For the plan year ended December 31, 2024, the annual money-weighted rate of return on investments, net of investment expense, was 11.09%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability: The City's net OPEB liability of \$17,117,464 (\$13,647,754 governmental activities and \$3,469,710 business-type activities) was measured as of December 31, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2023.

Actuarial Assumptions: The total OPEB liability in the December 31, 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Individual Entry-Age Normal
Discount Rate	5.59% as of December 31, 2024 (5.36% as of December 31, 2023)
Inflation	2.50%
Salary Increase	3.60% to 11.85%, including inflation
Demographic Assumptions	Based on the 2023 experience study conducted for the Texas Municipal Retirement System (TMRS).
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used with male rates multiplied by 103% and female rates multiplied by 105%. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP-2021 table to account for future mortality improvements.
Health Care Trend Rates	Initial rate of 7.20% declining to an ultimate rate of 4.25% after 15 years
Participation Rates	Participation rates vary based on years of City service. For employees with over 20 years of City service, participation rates vary from 35% to 95%.

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Notes to Basic Financial Statements
September 30, 2025

Discount Rate: Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects: (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of developing the single discount rate, the City's future contributions were based on a 30-year, open amortization. Based on this funding policy, the last year in the single discount rate projection period for which projected benefit payments were fully funded was 2051.

At the December 31, 2024 measurement date, the expected rate of return on OPEB plan investments is 6.50%; the municipal bond rate is 4.08% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"); and the resulting Single Discount Rate is 5.59%.

Changes in the Net OPEB Liability:

Change in the Net OPEB Liability	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at December 31, 2023	\$ 24,773,567	\$ 7,401,247	\$ 17,372,320
Changes for the year:			
Service cost	830,344	-	830,344
Interest	1,318,287	-	1,318,287
Difference between expected and actual experience	200,788	-	200,788
Changes of assumptions	(619,972)	-	(619,972)
Contributions – employer	-	1,205,350	(1,205,350)
Net investment income	-	796,648	(796,648)
Benefit payments	(1,187,655)	(1,187,655)	-
Administrative expense	-	(17,695)	17,695
Net changes	541,792	796,648	(254,856)
Balance at December 31, 2024	<u>\$ 25,315,359</u>	<u>\$ 8,197,895</u>	<u>\$ 17,117,464</u>

The plan's Fiduciary Net Position as a percentage of Total OPEB Liability was 32.38% at September 30, 2025.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rates: The net OPEB liability of the City has been calculated using a discount rate of 5.59%. The following presents the net OPEB liability using a discount rate 1% higher and 1% lower than the current discount rate.

	1% Decrease in Discount Rate (4.59%)	Current Discount Rate Assumption	1% Increase in Discount Rate (6.59%)
Net OPEB liability	<u>\$ 19,961,637</u>	<u>\$ 17,117,464</u>	<u>\$ 14,638,604</u>

City of Hurst, Texas
Notes to Basic Financial Statements
September 30, 2025

The net OPEB liability of the City has been calculated using the assumed health care cost trend rates of 7.20% decreasing to 4.25%. The following presents the net OPEB liability using health care cost trend rates 1.00% higher and 1.00% lower than the current health care cost trend rates.

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
Net OPEB liability	\$ 14,859,968	\$ 17,117,464	\$ 19,789,976

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended September 30, 2025, the City recognized OPEB expense of \$1,642,314. At September 30, 2025, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 850,696	\$ 596,311
Changes of assumptions	1,872,782	1,842,772
Net difference between projected and actual earnings on OPEB investments	6,410	-
Contributions subsequent to the measurement date	1,023,888	-
Total	\$ 3,753,776	\$ 2,439,083

Contributions subsequent to the measurement date of \$1,023,888 will be recognized as a reduction of the net OPEB liability in the year ending September 30, 2026.

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30,	Net Deferred Outflows/ (Inflows) of Resources
2026	\$ 7,915
2027	400,193
2028	62,680
2029	(158,874)
2030	(7,669)
Thereafter	(13,440)
Total	\$ 290,805

Note 14. Deferred Compensation Plan – 457(b) Plan

The City maintains a voluntary deferred compensation plan covering substantially all employees. The deferred compensation plan is a 457(b) plan and is administered by Lincoln Retirement Services Company. The Plan provisions and contribution requirements are established and may be amended by the Plan administrator. Lincoln Financial Group Trust Company is the trustee of the plan. The City does not contribute to this plan.

Note 15. Tax Abatements

As of September 30, 2025, the City offers tax incentives under Chapter 380 of the Texas Local Government Code. Chapter 380 of the Local Government Code authorizes municipalities to offer incentives designed to promote economic development such as commercial and retail projects. Specifically, it provides for offering loans and grants of city funds or services to promote state and local economic development and to stimulate business and commercial activity. There are no other economic development programs that provide for tax incentives currently offered by the City of Hurst.

In 1987, Texas voters approved a constitutional amendment allowing for public expenditures to support economic development activities. The amendment explicitly provides for programs that use public funds for the purposes of development and diversification of the state’s economy. Then in 1989, Chapter 380 of the Local Government code greatly expanded this by enabling municipalities to also engage in using public funds to support economic development. Chapter 380 agreements do not require a year limit and allows municipalities to provide monies, loans, city personnel, and city services for the promotion and encouragement of economic development.

Although Chapter 380 provides for broad use of city resources, the City closely evaluates each proposed 380 agreement on a case-by-case basis. While the City typically places a hard cap on years and financial support, whichever occurs first, there is one agreement that does not cap the number of years and only expires when the total financial support is met. The year and financial caps are negotiated in each distinct agreement.

The City has four active 380 agreements covering retail, hospitality, and entertainment. In each case a combination of tax incentives was used in the negotiations, including property, sales, and hotel occupancy tax. Under the 380 agreements, tax incentives are considered a “tax sharing” agreement. This means that no taxes are actually abated, rather all taxes must be paid in full to the City and the City will provide a payment to the entity each year equal to the amount authorized in their respective contracts. Through sharing revenue under chapter 380, the City is able to verify that the entity has completed their requirements as outlined in their contract.

In fiscal year 2025, the City of Hurst rebated (abated) \$430,449 in property and sales taxes. The table below summarizes the tax sharing agreements in place for fiscal year 2025.

Company	% of Property Taxes Abated	% of Sales Taxes Abated	% of Hotel Occupancy Taxes Abated	Total Taxes Abated
Hurst One, LLC	50%	70%	N/A	\$ 145,968
CN Churchill IV LLC	80%	0%	75%	\$ 242,849
EREP Sprouts Crossing I, LLC	50%	0%	N/A	\$ 35,789
Phillips Edison	N/A	50%	N/A	\$ 3,151
Reharb Warriors, LLC	100%	N/A	N/A	\$ 2,692



Required Supplementary Information



City of Hurst, Texas
Required Supplementary Information
General Fund - Schedule of Revenues, Expenditures, and Changes in Fund
Balance - Budget to Actual - GAAP Basis
Year Ended September 30, 2025 with Comparative Actual for Year Ended
September 30, 2024

	2025				2024
	Original Budget	Final Budget	Actual	Variance	Actual
Revenues					
Taxes					
Property taxes	\$ 20,997,171	\$ 20,997,171	\$ 20,493,664	\$ (503,507)	\$ 19,475,900
Penalties and interest	100,000	100,000	105,646	5,646	130,769
City sales taxes	11,382,148	11,382,148	12,996,499	1,614,351	12,843,036
Mixed beverage taxes	160,000	160,000	142,202	(17,798)	142,269
Franchise taxes	2,642,500	2,642,500	2,636,333	(6,167)	2,653,614
	<u>35,281,819</u>	<u>35,281,819</u>	<u>36,374,344</u>	<u>1,092,525</u>	<u>35,245,588</u>
Licenses and Permits					
Building inspection	845,000	845,000	3,639,369	2,794,369	1,130,713
Paving inspection	1,500	1,500	16,936	15,436	410
Other	26,500	26,500	17,305	(9,195)	19,375
	<u>873,000</u>	<u>873,000</u>	<u>3,673,610</u>	<u>2,800,610</u>	<u>1,150,498</u>
Intergovernmental					
Support from governmental entities	698,241	698,241	1,260,949	562,708	1,525,792
	<u>698,241</u>	<u>698,241</u>	<u>1,260,949</u>	<u>562,708</u>	<u>1,525,792</u>
Fines and Fees					
Municipal court	566,000	566,000	522,401	(43,599)	507,800
Library	4,750	4,750	4,539	(211)	4,395
	<u>570,750</u>	<u>570,750</u>	<u>526,940</u>	<u>(43,810)</u>	<u>512,195</u>
Charges for Services					
Recreational activity fees	608,000	608,000	711,182	103,182	619,009
Aquatic fees	475,000	475,000	477,080	2,080	457,030
Ambulance fees	800,000	800,000	1,547,509	747,509	988,057
Other	53,450	53,450	263,824	210,374	329,815
	<u>1,936,450</u>	<u>1,936,450</u>	<u>2,999,595</u>	<u>1,063,145</u>	<u>2,393,911</u>
Miscellaneous					
Investment earnings	450,000	450,000	1,396,010	946,010	1,500,841
Miscellaneous	299,500	299,500	289,901	(9,599)	271,092
	<u>749,500</u>	<u>749,500</u>	<u>1,685,911</u>	<u>936,411</u>	<u>1,771,933</u>
	<u>\$ 40,109,760</u>	<u>\$ 40,109,760</u>	<u>\$ 46,521,349</u>	<u>\$ 6,411,589</u>	<u>\$ 42,599,917</u>

City of Hurst, Texas
Required Supplementary Information
General Fund - Schedule of Revenues, Expenditures, and Changes in Fund
Balance - Budget to Actual - GAAP Basis (Continued)
Year Ended September 30, 2025 with Comparative Actual for Year Ended
September 30, 2024

	2025				2024
	Original Budget	Final Budget	Actual	Variance	Actual
Expenditures					
General Government					
City Council	\$ 43,903	\$ 43,903	15,982	\$ 27,921	\$ 13,891
City Secretary	505,558	505,558	362,796	142,762	320,937
Administration (City Manager)	783,712	783,712	488,955	294,757	480,222
Judicial (municipal court)	680,532	680,532	556,673	123,859	625,361
Development	853,371	853,371	818,927	34,444	677,261
Personnel	513,671	513,671	442,576	71,095	397,446
Accounting (finance)	579,914	579,914	390,151	189,763	342,266
Nondepartmental	2,564,299	2,564,299	823,566	1,740,733	2,716,848
Information systems	15,775	15,775	16,929	(1,154)	17,745
Building maintenance	747,563	715,563	475,352	240,211	474,042
Total general government	7,288,298	7,256,298	4,391,907	2,864,391	6,066,019
Public Safety					
Ambulance	1,887,470	1,887,470	1,922,157	(34,687)	1,803,126
Police	14,801,702	14,824,779	12,922,181	1,902,598	11,917,383
Fire	9,040,143	9,040,143	9,123,460	(83,317)	9,059,826
Total public safety	25,729,315	25,752,392	23,967,798	1,784,594	22,780,335
Culture and Recreation					
Administration	621,474	621,474	370,151	251,323	266,044
Recreation	1,525,914	1,525,914	1,418,820	107,094	1,462,091
Aquatics	466,408	466,408	420,760	45,648	387,704
Parks	2,535,711	2,535,711	2,788,008	(252,297)	2,427,912
Library	1,788,582	1,788,582	1,765,008	23,574	1,674,239
Senior citizens	664,879	664,879	639,126	25,753	613,382
Total culture and recreation	7,602,968	7,602,968	7,401,873	201,095	6,831,372
Public Works					
Streets	2,887,567	2,887,567	2,055,383	832,184	1,945,311
Engineering community development	386,198	386,198	209,168	177,030	206,399
Code enforcement	888,792	888,792	1,724,979	(836,187)	870,874
Total public works	4,162,557	4,162,557	3,989,530	173,027	3,022,584
Total Expenditures	\$ 44,783,138	\$ 44,774,215	\$ 39,751,108	\$ 5,023,107	\$ 38,700,310
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (4,673,378)	\$ (4,664,455)	\$ 6,770,241	\$ 11,434,696	\$ 3,899,607

City of Hurst, Texas
Required Supplementary Information
General Fund - Schedule of Revenues, Expenditures, and Changes in Fund
Balance - Budget to Actual - GAAP Basis (Continued)
Year Ended September 30, 2025 with Comparative Actual for Year Ended
September 30, 2024

	2025				2024
	Original Budget	Final Budget	Actual	Variance	Actual
Other Financing Sources (Uses)					
Leases issued	\$ -	\$ -	\$ -	\$ -	\$ 1,341,637
Proceeds from sale of capital assets	-	-	1,428	-	4,128
Transfers in	-	-	762,289	762,289	2,072,301
Transfers out	-	-	(5,959,094)	(5,959,094)	(15,412,588)
Total other financing uses	-	-	(5,195,377)	(5,196,805)	(11,994,522)
Net Change in Fund Balance	(4,673,378)	(4,664,455)	1,574,864	6,239,319	(8,094,915)
Fund Balance, Beginning of Year	21,298,248	21,298,248	21,298,248	-	29,393,163
Fund Balance, End of Year	<u>\$ 16,624,870</u>	<u>\$ 16,633,793</u>	<u>\$ 22,873,112</u>	<u>\$ 6,239,319</u>	<u>\$ 21,298,248</u>

City of Hurst, Texas
Required Supplementary Information
Major Special Revenue Funds - Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget to Actual - GAAP Basis
Year Ended September 30, 2025 with Comparative Actual for Year Ended
September 30, 2024

	Original Budget	Final Budget	HCDC 2025 Actual	Variances	2024 Actual
Revenues					
Taxes, penalties and interest	\$ 5,750,000	\$ 5,750,000	\$ 6,252,746	\$ 502,746	\$ 6,103,825
Support from governmental entities	-	-	15,046	15,046	289,954
Investment earnings	140,000	140,000	327,787	187,787	398,448
Miscellaneous	5,000	5,000	20,880	15,880	6,654
Total revenues	5,895,000	5,895,000	6,616,459	721,459	6,798,881
Expenditures					
Culture and recreation	4,383,735	4,383,735	4,287,484	96,251	4,048,101
Capital outlay	113,000	113,000	1,039,942	(926,942)	1,070,662
Total expenditures	4,496,735	4,496,735	5,327,426	(830,691)	5,118,763
Excess of revenues over expenditures	1,398,265	1,398,265	1,289,033	(109,232)	1,680,118
Other Financing Sources (Uses)					
Transfers in	-	-	40,899	40,899	8,805
Transfers out	-	-	(1,226,269)	(1,226,269)	(1,223,387)
Total other financing sources (uses)	-	-	(1,185,370)	(1,185,370)	(1,214,582)
Net Change in Fund Balance	1,398,265	1,398,265	103,663	(1,294,602)	465,536
Fund Balance, Beginning of Year	8,230,014	8,230,014	8,230,014	-	7,764,478
Fund Balance, End of Year	\$ 9,628,279	\$ 9,628,279	\$ 8,333,677	\$ (1,294,602)	\$ 8,230,014

City of Hurst, Texas
Required Supplementary Information
Major Special Revenue Funds - Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget to Actual - GAAP Basis (Continued)
Year Ended September 30, 2025 with Comparative Actual for Year Ended
September 30, 2024

	Anti-Crime				
	Original Budget	Final Budget	2025 Actual	Variances	2024 Actual
Revenues					
Taxes, penalties and interest	\$ 5,750,000	\$ 5,750,000	\$ 6,212,531	\$ 462,531	\$ 6,058,772
Investment earnings	140,000	140,000	423,359	283,359	561,791
Miscellaneous	2,000	2,000	1,514	(486)	1,517
Total revenues	<u>5,892,000</u>	<u>5,892,000</u>	<u>6,637,404</u>	<u>745,404</u>	<u>6,622,080</u>
Expenditures					
Public safety	5,659,934	5,659,934	5,059,291	600,643	5,346,682
Capital outlay	-	-	88,868	(88,868)	-
Debt service					
Principal	-	-	37,382	(37,382)	-
Interest	-	-	5,868	(5,868)	-
Total expenditures	<u>5,659,934</u>	<u>5,659,934</u>	<u>5,191,409</u>	<u>468,525</u>	<u>5,346,682</u>
Excess of Revenues Over Expenditures	232,066	232,066	1,445,995	1,213,929	1,275,398
Other Financing Sources (Uses)					
Subscriptions issued	-	-	85,618	85,618	-
Transfers in	-	-	51,899	51,899	42,152
Transfers out	-	-	-	-	(2,500,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>137,517</u>	<u>137,517</u>	<u>(2,457,848)</u>
Net Change in Fund Balance	232,066	232,066	1,583,512	1,351,446	(1,182,450)
Fund Balance, Beginning of Year	<u>10,257,641</u>	<u>10,257,641</u>	<u>10,257,641</u>	<u>-</u>	<u>11,440,091</u>
Fund Balance, End of Year	<u>\$ 10,489,707</u>	<u>\$ 10,489,707</u>	<u>\$ 11,841,153</u>	<u>\$ 1,351,446</u>	<u>\$ 10,257,641</u>



1. Summary of Significant Accounting Policies

A. Budgetary Data and Stewardship

The City is required to annually adopt budgets for the General, Special Revenue and Debt Service Funds on a basis consistent with GAAP. Budgeted amounts are originally adopted by the City Council for the 2024-2025 budget. The City follows these procedures in establishing budgetary data reflected in the basic financial statements.

- 1) 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.
- 2) Public hearings are conducted to obtain taxpayer comments.
- 3) Prior to September 30, the budget is legally enacted through passage of an ordinance.
- 4) 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, after public hearings.
- 5) Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and the Debt Service Funds.
- 6) Budgetary data for the Capital Projects Funds has not been presented in the accompanying basic financial statements as such funds are budgeted over the life of the respective project and not on an annual basis. Accordingly, formal budgetary integration of the Capital Projects Funds is not employed and comparison of actual results of operations to budgetary data for such funds is not presented.

B. Excess of Expenditures Over Appropriations

For the year ended September 30, 2025, expenditures exceeded appropriations in the following fund by the following amount:

- HCDC Fund – \$830,691

Expenditures exceeding appropriations were funded mainly through revenue surplus received during the year for the HCDC Fund.

City of Hurst, Texas
Required Supplementary Information
Schedule of Changes in The City's Net Pension Liability and Related Ratios - TMRS
Last 10 Years
(Unaudited)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total Pension Liability				
Service cost	\$ 3,659,696	\$ 3,973,289	\$ 4,106,510	\$ 4,141,532
Interest (on the Total Pension Liability)	10,074,733	10,295,405	10,751,911	11,221,017
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(346,324)	502,382	764,482	(778,214)
Change of assumptions	2,268,583	-	-	-
Benefit payments, including refunds of employee contributions	(6,870,568)	(7,556,886)	(8,592,383)	(8,789,026)
Net Change in Total Pension Liability	8,786,120	7,214,190	7,030,520	5,795,309
Total Pension Liability - Beginning	145,530,199	154,316,319	161,530,509	168,561,029
Total Pension Liability - Ending (a)	154,316,319	161,530,509	168,561,029	174,356,338
Plan Fiduciary Net Position				
Contributions - employer	2,450,163	2,376,553	2,687,273	2,806,311
Contributions - employee	1,688,782	1,727,426	1,789,807	1,810,318
Net investment income	201,292	9,037,883	19,293,284	(4,620,014)
Benefit payments, including refunds of employee contributions	(6,870,568)	(7,556,886)	(8,592,383)	(8,789,026)
Administrative expense	(122,612)	(102,096)	(100,013)	(89,337)
Other	(6,056)	(5,503)	(5,069)	(4,667)
Net Change in Plan Fiduciary Net Position	(2,658,999)	5,477,377	15,072,899	(8,886,415)
Plan Fiduciary Net Position - Beginning	136,423,683	133,764,684	139,242,061	154,314,960
Plan Fiduciary Net Position - Ending (b)	133,764,684	139,242,061	154,314,960	145,428,545
City's Net Pension Liability - Ending (a) - (b)	\$ 20,551,635	\$ 22,288,448	\$ 14,246,069	\$ 28,927,793
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	86.68%	86.20%	91.55%	83.41%
Covered Payroll	\$ 23,504,794	\$ 24,663,496	\$ 25,553,888	\$ 25,836,133
City's Net Pension Liability as a Percentage of Covered Payroll	87.44%	90.37%	55.75%	111.97%

Other Information:

The discount rate changed from 7.00% to 6.75% for the 2016 valuation; there were no other changes in assumptions.

	2019	2020	2021	2022	2023	2024
\$	4,294,773	\$ 4,355,601	\$ 4,299,817	\$ 4,564,693	\$ 4,735,556	\$ 5,041,354
	11,603,397	12,112,003	12,540,609	13,074,546	13,708,986	14,188,003
	-	-	-	-	-	-
	635,990	(484,413)	926,422	2,915,041	1,862,634	3,267,431
	286,317	-	-	-	(963,340)	-
	(9,203,080)	(9,428,922)	(9,782,223)	(10,196,006)	(12,285,187)	(12,515,171)
	7,617,397	6,554,269	7,984,625	10,358,274	7,058,649	9,981,617
	174,356,338	181,973,735	188,528,004	196,512,629	206,870,903	213,929,552
	181,973,735	188,528,004	196,512,629	206,870,903	213,929,552	223,911,169
	2,942,019	2,999,772	3,135,711	3,453,934	3,557,966	4,222,313
	1,879,028	1,871,652	1,849,189	2,032,958	2,046,887	2,165,880
	22,463,670	12,388,487	22,283,990	(13,738,655)	19,637,164	18,946,266
	(9,203,080)	(9,428,922)	(9,782,223)	(10,196,006)	(12,285,187)	(12,515,171)
	(127,039)	(80,247)	(103,222)	(119,076)	(125,235)	(121,892)
	(3,817)	(3,131)	707	142,093	(875)	(2,850)
	17,950,781	7,747,611	17,384,152	(18,424,752)	12,830,720	12,694,546
	145,428,545	163,379,326	171,126,937	188,511,089	170,086,337	182,917,057
	163,379,326	171,126,937	188,511,089	170,086,337	182,917,057	195,611,603
\$	18,594,409	\$ 17,401,067	\$ 8,001,540	\$ 36,784,566	\$ 31,012,495	\$ 28,299,566
	89.78%	90.77%	95.93%	82.22%	85.50%	87.36%
\$	26,842,333	\$ 26,737,880	\$ 26,346,916	\$ 28,004,251	\$ 29,016,888	\$ 30,278,402
	69.27%	65.08%	30.37%	131.35%	106.88%	93.46%

City of Hurst, Texas
Required Supplementary Information
Schedule of City Contributions - TMRS
Last 10 Years
(Unaudited)

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Actuarially determined contribution	\$ 2,468,088	\$ 2,604,026	\$ 2,736,709	\$ 2,904,605	\$ 2,910,714	\$ 3,029,768	\$ 3,419,077	\$ 3,371,871	\$ 4,006,991	\$ 4,479,609
Contributions in relation to the actuarially determined contribution	2,472,131	2,615,694	2,760,558	2,904,605	2,946,295	3,029,768	3,419,077	3,371,871	4,006,991	4,479,609
Contribution Deficiency (Excess)	\$ (4,043)	\$ (11,668)	\$ (23,849)	\$ -	\$ (35,581)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 25,292,040	\$ 25,399,155	\$ 25,632,597	\$ 26,565,856	\$ 26,356,739	\$ 26,288,728	\$ 28,909,682	\$ 29,548,150	\$ 31,912,986	\$ 31,110,227
Contributions as a Percentage of Covered Payroll	9.77%	10.30%	10.77%	10.93%	11.18%	11.52%	11.83%	11.41%	12.56%	14.40%

Notes to Schedule:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	21 years (longest amortization ladder)
Asset Valuation Method	10-year smoothed fair value; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB (10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes: Granted 30% retroactive ad hoc COLA.

**City of Hurst, Texas
Required Supplementary Information
Schedule of Changes in The City's Net OPEB Liability and Related Ratios
Last 10 Years*
(Unaudited)**

	Measurement Year									
	2017	2018	2019	2020	2021	2022	2023	2024		
Total OPEB Liability	\$ 689,481	\$ 768,566	\$ 792,053	\$ 682,587	\$ 811,803	\$ 871,388	\$ 720,884	\$ 830,344		
Service cost	981,235	1,004,827	1,061,546	933,744	921,737	1,023,287	1,161,276	1,318,287		
Interest (on the Total OPEB Liability) and actual experience	-	(67,845)	(3,560,217)	(10,073)	1,281,325	165,531	21,635	200,788		
Change of assumptions	644,834	(58,439)	599,659	1,374,648	925,966	(2,261,610)	1,287,735	(619,972)		
Benefit payments, including refunds of employee contributions	(849,310)	(680,984)	(682,789)	(764,202)	(787,066)	(1,079,147)	(1,038,662)	(1,187,655)		
Net Change in Total OPEB Liability	1,466,240	966,125	(1,789,748)	2,216,704	3,153,765	(1,280,551)	2,152,868	541,792		
Total OPEB Liability - Beginning	17,888,164	19,354,404	20,320,529	18,530,781	20,747,485	23,901,250	22,620,699	24,773,567		
Total OPEB Liability - Ending (a)	19,354,404	20,320,529	18,530,781	20,747,485	23,901,250	22,620,699	24,773,567	25,315,359		
Plan Fiduciary Net Position	877,112	1,073,668	1,433,489	1,511,286	1,515,680	1,096,120	1,055,503	1,205,350		
Employer contributions	413,988	(171,374)	677,555	654,740	700,830	(1,173,762)	1,002,664	796,648		
Net investment income	(849,310)	(680,984)	(682,789)	(764,202)	(787,066)	(1,079,147)	(1,038,662)	(1,187,655)		
Benefit payments	(7,175)	(7,904)	(9,189)	(11,632)	(16,188)	(16,973)	(16,841)	(17,695)		
Administrative expense										
Net Change in Plan Fiduciary Net Position	434,625	213,406	1,419,066	1,390,192	1,413,256	(1,173,762)	1,002,664	796,648		
Plan Fiduciary Net Position - Beginning	2,701,800	3,136,425	3,349,831	4,768,897	6,159,089	7,572,345	6,398,583	7,401,247		
Plan Fiduciary Net Position - Ending (b)	3,136,425	3,349,831	4,768,897	6,159,089	7,572,345	6,398,583	7,401,247	8,197,895		
City's Net OPEB Liability - Ending (a) - (b)	\$ 16,217,979	\$ 16,970,698	\$ 13,761,884	\$ 14,588,396	\$ 16,328,905	\$ 16,222,116	\$ 17,372,320	\$ 17,117,464		
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	16.21%	16.48%	25.74%	29.69%	31.68%	28.29%	29.88%	32.38%		
Covered Employee Payroll	\$ 25,094,883	\$ 25,064,769	\$ 26,261,996	\$ 26,373,442	\$ 26,173,012	\$ 27,959,257	\$ 29,069,047	\$ 30,163,151		
City's Net OPEB Liability as a Percentage of Covered Employee Payroll	64.63%	67.71%	52.40%	55.31%	62.39%	58.02%	59.76%	56.75%		
Single Discount Rate	5.18%	5.21%	5.05%	4.44%	4.30%	5.77%	5.36%	5.59%		

Notes to schedule:

*The information in this schedule has been determined as of the measurement date (December 31) of the City's net OPEB liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provisions, only periods for which such information is available are presented.

The demographic assumptions were updated to reflect the 2023 TMRS Experience Study and the health care trend rates were updated to reflect the plan's anticipated experience. The two-person coverage assumption was increased in plan year 2021.

The long-term rate of return assumption was changed from 6.75% to 6.50% in plan year 2020.

The demographic assumptions were updated to reflect the 2019 TMRS Experience Study and the health care trend rates were updated to reflect the plan's anticipated experience.

**City of Hurst, Texas
 Required Supplementary Information
 Schedule of City Contributions - OPEB
 Last 10 Years*
 (Unaudited)**

	Fiscal Year							
	2018	2019	2020	2021	2022	2023	2024	2025
Actuarially determined contribution	\$ 1,044,493	\$ 1,308,968	\$ 1,348,237	\$ 1,388,684	\$ 1,057,214	\$ 1,088,930	\$ 1,193,917	\$ 1,229,735
Contribution in relation to the actuarially determined contribution	1,103,792	1,512,327	1,350,433	1,489,582	1,115,526	826,152	1,181,349	1,444,224
Contribution Deficiency (Excess)	\$ (59,299)	\$ (203,359)	\$ (2,196)	\$ (100,898)	\$ (58,312)	\$ 262,778	\$ 12,568	\$ (214,489)
Covered Employee Payroll	\$ 26,669,986	\$ 27,538,631	\$ 26,767,738	\$ 26,689,275	\$ 27,367,587	\$ 28,437,074	\$ 29,940,527	\$ 30,870,475
Contributions as a Percentage of Covered Employee Payroll	4.14%	5.49%	5.05%	5.58%	4.08%	2.91%	3.95%	4.68%

Notes to Schedule:
 Valuation Date:

The actuarially determined contribution for fiscal year ending September 30, 2025 was developed in the December 31, 2021 valuation.

Methods and assumptions used to determine contribution rates:

- Actuarial Cost Method: Individual Entry Age Normal
- Amortization Method: Level percentage of pay
- Amortization Period: Open, 30-years
- Asset Valuation Method: Market value
- Inflation: 2.50%
- Healthcare Cost Trend Rates: Initial rate of 7.00% declining to an ultimate rate of 4.15% after 13 years
- Salary Increases: 3.50% to 11.50%, including inflation
- Investment Rate of Return: 6.50%, net of investment expense, including inflation
- Retirement Age: Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 – 2018
- Mortality: For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements.

*The information in this schedule has been determined for the fiscal year end of the City and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provisions, only periods for which such information is available are presented.

City of Hurst, Texas
Required Supplementary Information
Schedule of Investment Returns - OPEB
Last 10 Years*
(Unaudited)

Plan Year	Weighted Rate of Return
2017	15.64 %
2018	(4.66) %
2019	19.90 %
2020	13.48 %
2021	11.60 %
2022	(15.23) %
2023	16.01 %
2024	11.09 %

*The information in this schedule has been determined as of the measurement date (December 31) of the City's net OPEB liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision, only periods for which such information is available are presented.

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APPENDIX C

FORMS OF BOND COUNSEL'S OPINIONS

[Closing Date]

Norton Rose Fulbright US LLP
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United States

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IN REGARD to the authorization and issuance of the “City of Hurst, Texas, General Obligation Refunding Bonds, Series 2026,” dated July 1, 2026, in the principal amount of \$_____ (the “Bonds”), we have examined into their issuance by the City of Hurst, Texas (the “City”), solely to express legal opinions as to the validity of the Bonds, the defeasance and discharge of the City’s outstanding obligations being refunded by the Bonds and the exclusion of the interest on the Bonds from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds.

THE BONDS are issued in fully registered form only and in denominations of \$5,000 or any integral multiple thereof (within a maturity). The Bonds mature on August 15 in each of the years specified in an ordinance adopted by the City Council of the City authorizing the issuance of the Bonds (the “Ordinance”), unless redeemed prior to maturity in accordance with the terms stated on the Bonds. The Bonds accrue interest from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Bonds, including the Ordinance, and an examination of the initial Bond executed and delivered by the City (which we found to be in due form and properly executed); (ii) certifications of officers of the City relating to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the City and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Bonds, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Bonds have been duly authorized by the City and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the City payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the City, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights or the exercise of judicial discretion in accordance with the general principles of equity.

2. The outstanding obligations refunded, discharged, paid and retired with the proceeds of the Bonds (the “Refunded Obligations”) have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held by the paying agent for the outstanding Refunded Obligations (the “Refunded Obligations Paying Agent”) and in accordance with the provisions of Texas Government Code, Chapter 1207, as amended. In rendering this opinion, we

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Re: "City of Hurst, Texas, General Obligation Refunding Bonds, Series 2026"

have relied upon the certificate of the Paying Agent for the Refunded Obligations as to the sufficiency of cash deposited with the Refunded Obligations Paying Agent for the purposes of paying the outstanding Refunded Obligations to be refunded and retired with proceeds of the Bonds and interest thereon.

3. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance relating to sections 141 through 150 of the Code, interest on the Bonds for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

[Closing Date]

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IN REGARD to the authorization and issuance of the “City of Hurst, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2026,” dated July 1, 2026, in the principal amount of \$_____ (the “Certificates”), we have examined into their issuance by the City of Hurst, Texas (the “City”), solely to express legal opinions as to the validity of the Certificates and the exclusion of the interest on the Certificates from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Certificates, or the sufficiency of the security for or the value or marketability of the Certificates.

THE CERTIFICATES are issued in fully registered form only and in denominations of \$5,000 or any integral multiple thereof (within a maturity). The Certificates mature on August 15 in each of the years specified in an ordinance adopted by the City Council of the City authorizing the issuance of the Certificates (the “Ordinance”), unless redeemed prior to maturity in accordance with the terms stated on the Certificates. The Certificates accrue interest from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Certificates, including the Ordinance and an examination of the initial Certificate executed and delivered by the City (which we found to be in due form and properly executed); (ii) certifications of officers of the City relating to the expected use and investment of proceeds of the sale of the Certificates and certain other funds of the City and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Certificates, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Certificates have been duly authorized by the City and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the City, payable from an ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the City, and are additionally payable from and secured by a limited pledge of the Net Revenues (as defined in the Ordinance) of the City’s Waterworks and Sewer System in the manner and to the extent provided in the Ordinance, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or

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Revenue Certificates of Obligation, Series 2026"

other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with the general principles of equity.

2. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance relating to sections 141 through 150 of the Code, interest on the Certificates for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

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