HTS Continuing Disclosure Services
A Division of Hilltop Securities.

(See "Continuing Disclosure of Information" herein)

PRELIMINARY OFFICIAL STATEMENT

Dated August 17, 2026

Ratings:
Moody's: "Aa2"
S&P: "AA+"
(See "OTHER INFORMATION - Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Certificates 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.

THE CERTIFICATES **WILL BE** DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

$2,895,000*
CITY OF NORTH RICHLAND HILLS, TEXAS
(Tarrant County)
TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE) REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

Dated Date: August 15, 2026
Interest Accrues from Delivery Date

Due: February 15, as shown on page 2

PAYMENT TERMS . . . Interest on the $2,895,000* City of North Richland Hills, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2026 (the "Certificates") will accrue from the Delivery Date (as defined below), will be payable February 15 and August 15 of each year, commencing February 15, 2027, until maturity, 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 (identified below) 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 UMB Bank, N.A., Dallas, Texas (see "THE OBLIGATIONS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and constitute direct obligations of the City of North Richland Hills, 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 ordinance authorizing the Certificates expected to be adopted by the City Council of the City on August 24, 2026 (the "Certificate Ordinance") (see "THE OBLIGATIONS - Authority for Issuance" and "THE OBLIGATIONS – Security and Source of Payment").

PURPOSE . . . Proceeds from the sale of the Certificates will be used for (i) purchasing vehicles and equipment for the City's fire department, and (ii) paying for professional services rendered in relation to such projects and the financing thereof (see "PLAN OF FINANCING").

MATURITY SCHEDULE

See page 2

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the initial purchaser of the Certificates (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, Bond Counsel, Dallas, Texas (see APPENDIX C, "Form of Bond Counsel's Opinion").

DELIVERY . . . It is expected that the Certificates will be available for delivery through DTC on September 22, 2026 (the "Delivery Date").

BIDS DUE MONDAY, AUGUST 24, 2026, AT 10:00 AM, CDT

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* Preliminary, subject to change. See "THE CERTIFICATES – Adjustment of Principal Amounts and/or Types of Bonds" in the "Notice of Sale and Bidding Instructions".

MATURITY SCHEDULE* **CUSIP Prefix [1]: 661838**

Amount	Maturity	Initial Rate	Initial Yield	CUSIP Suffix [1]
$ 285,000	2/15/2027			
290,000	2/15/2028			
290,000	2/15/2029			
290,000	2/15/2030			
290,000	2/15/2031			
290,000	2/15/2032			
290,000	2/15/2033			
290,000	2/15/2034			
290,000	2/15/2035			
290,000	2/15/2036			

(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. None of the City, the Municipal Advisor or the Initial Purchaser of the Certificates shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

REDEMPTION . . . The Certificates are not subject to optional redemption (see "THE CERTIFICATES - Redemption"). If two or more serial Certificates of consecutive maturities are combined into one or more “Term Certificates” by the Initial Purchaser of the Certificates, such Term Certificates will be subject to mandatory sinking fund redemption in accordance with the provisions of the Certificates Ordinance, which provisions will be included in the final Official Statement.

* Preliminary, subject to change. See "Adjustment of Principal Amount and/or Types of Bids" in the Notice of Sale for the Certificates.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), this document constitutes an Official Statement of the City with respect to the Certificates 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 Official Statement, which includes the cover pages 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 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 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 "OTHER INFORMATION - 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 OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY ONLY SYSTEM.

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

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

PRELIMINARY 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 Certificates 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 North Richland Hills, Texas (the "City") is a political subdivision and home rule municipal corporation of the State of Texas (the "State"), located in Tarrant County, Texas. The City covers approximately 18.29 square miles (see "INTRODUCTION - Description of the City").

THE CERTIFICATES .... The $2,895,000* Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2026 (the "Certificates") are scheduled to mature on February 15 in each of the years 2027 through 2036, inclusive, unless the Initial Purchaser of the Certificates designates two or more consecutive maturities as one or more “Term Certificates” (see "THE CERTIFICATES - Description of the Certificates").

PAYMENT OF INTEREST .... Interest on the Certificates accrues from the delivery date and is payable February 15, 2027 and each August 15 and February 15 thereafter until maturity. (see "THE CERTIFICATES - Description of the Certificates" and "THE CERTIFICATES - Optional Redemption").

AUTHORITY FOR ISSUANCE .... The Certificates are issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance anticipated to be passed by the City Council of the City on August 24, 2026 (the "Certificate Ordinance") (see "THE CERTIFICATES - Authority for Issuance" and "THE CERTIFICATES – Security and Source of Payment").

SECURITY FOR THE CERTIFICATES .... The Certificates constitute direct obligations of the City, payable from a combination of (i) an 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 (the "System") as provided in the Certificate Ordinance (see "THE CERTIFICATES - Security and Source of Payment").

REDEMPTION .... The Certificates are not subject to optional redemption (see "THE CERTIFICATES - Redemption").

TAX-EXEMPTION .... In the opinion of Bond Counsel, the interest on the Certificates 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.

QUALIFIED TAX-EXEMPT OBLIGATIONS .... The Certificates ***will*** be designated as "Qualified Tax-Exempt Obligations" for financial institutions.

USE OF PROCEEDS .... Proceeds from the sale of the Certificates will be used for (i) purchasing vehicles and equipment for the City’s fire department, and (ii) professional services rendered in relation to such projects and the financing thereof (see "PLAN OF FINANCING").

RATINGS .... The Certificates and certain of the presently outstanding tax supported debt of the City are rated "Aa2" by Moody's Investors Service, Inc. ("Moody's") and "AA+" by S&P Global Ratings, a division on S&P Global Inc. ("S&P") (see "OTHER INFORMATION - Ratings").

BOOK-ENTRY-ONLY SYSTEM...... The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("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 CERTIFICATES - Book-Entry-Only System").

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

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* Preliminary, subject to change.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9-30	Estimated City Population	Net Taxable Assessed Valuation [3]	Per Capita Net Taxable Assessed Valuation	Net General Obligation (G.O.) Tax Debt [4]	Per Capita G. O. Tax Debt	Ratio G.O. Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
2022	71,904 [1]	$ 6,965,495,079	$ 96,872	$ 95,175,000	$ 1,324	1.37%	94.12%
2023	72,587 [1]	7,684,394,976	105,865	102,630,000	1,414	1.34%	94.81%
2024	73,311 [1]	8,763,575,580	119,540	97,945,000	1,336	1.12%	95.30%
2025	73,311 [2]	9,373,366,412	127,858	87,980,000	1,200	0.94%	95.14%
2026	74,859 [2]	9,197,195,331	122,860	81,265,000 [5]	1,086 [6]	0.88% [6]	97.71% [6]

(1) Source: North Central Texas Council of Governments.
(2) Estimate of City staff.
(3) As reported by the Tarrant Appraisal District on the City's annual State Property Tax Reports; subject to change during the ensuing tax year. Valuations shown include the incremental taxable assessed value of property within TIFD No. 1, TIFD No. 1A and TIFD No. 2.
(4) Excludes self-supporting debt.
(5) Projected, includes a portion of the Certificates. Preliminary, subject to change.
(6) As of May 31, 2026. Preliminary information provided by City staff.

For additional information regarding the City, please contact:

Stephen Barnes		Steven Murray or
Director of Finance		Laura Alexander
City of North Richland Hills	or	Hilltop Securities Inc.
P.O. Box 820609		777 Main Street, Suite 1525
North Richland Hills, Texas 76182-0609		Fort Worth, Texas 76102-3123
(817) 427-6167		(817) 332-9710

CITY OFFICIALS, STAFF, AND CONSULTANTS

ELECTED OFFICIALS

City Council	Year of Election	Term Expires	Occupation
Jack McCarty Mayor	2024	May 2028	Retired, Chief Operating Officer - Division of United Health Care
Cecille Delaney Councilmember-Place 1	2025	May 2027	Co-owner of Freedom P.A. Group
Brianne Goetz Councilmember-Place 2	2025	May 2028	Manager of Accounts Payable - Best Maid Products
Danny Roberts Councilmember - Place 3	2025	May 2027	Retired Pastor
Matt Blake Councilmember - Place 4	2024	May 2028	Small Business Owner
Billy Parks Deputy Mayor Pro Tem - Place 5	2025	May 2027	Senior Director of Tax for Elbit America
Russ Mitchell Councilmember - Place 6	2024	May 2028	Farmers Insurance Agency Owner
Kelvin Deupree Mayor Pro Tem - Place 7	2021	May 2027	Senior Vice President - Risk Testing Manager, Bank of America

SELECTED ADMINISTRATIVE STAFF

Name	Position	Year of Employment
Paulette Hartman	City Manager	2014
Trudy Lewis	Assistant City Manager	2021
Caroline Waggoner	Assistant City Manager	2003
Chase Fosse	Director of Budget & Research	2024
Stephen Barnes	Director of Finance	2026
Alicia Richardson	City Secretary/Chief Governance Officer	2014
Crystal Dozier	Assistant City Secretary	2026
Bradley Anderle	City Attorney	2024
Adrien Pekurney	Director of Parks & Recreation	1999

INDEPENDENT AUDITORS, CONSULTANTS AND ADVISORS

Independent Auditors .... FORVIS, LLP
Dallas, Texas

Bond Counsel .... Norton Rose Fulbright US LLP
Dallas, Texas

Municipal Advisor .... Hilltop Securities Inc.
Fort Worth, Texas

PRELIMINARY OFFICIAL STATEMENT
RELATING TO
CITY OF NORTH RICHLAND HILLS, TEXAS

$2,895,000*
TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE)
REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $2,895,000* City of North Richland Hills, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2026 (the "Certificates"). The Certificates are being authorized pursuant to an ordinance (the "Certificate Ordinance") anticipated to be adopted by the City Council of the City of North Richland Hills, Texas (the "City") on August 24, 2026. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Certificate Ordinance.

This Official Statement contains descriptions of the Certificates 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, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1953, and first adopted its Home Rule Charter in 1964. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and seven Councilmembers. The term of office for the Mayor and the Councilmembers is three years with the terms of the Mayor and three of the Councilmembers' terms expiring in even-numbered years and the terms of the other four 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), highways and streets, water and sanitary sewer utilities, health services, culture and recreation, public improvements, planning and zoning, and general administrative services. The 2010 Census population for the City was 63,343, with an estimated 2026 population of 74,859. The City covers approximately 18.29 square miles. For additional information relating to the City, see "Appendix A - General Information Regarding the City."

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Certificates will be used for (i) purchasing vehicles and equipment for the City's fire department, and (ii) professional services rendered in relation to such projects and the financing thereof.

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

Sources:	The Bonds	The Certificates
Par Amount	$ -	$ -
Cash Premium Bid	-	-
Total Sources of Funds	$ -	$ -
Uses:		
Deposit to Project Fund	$ -	$ -
Costs of Issuance	-	-
Total Uses of Funds	$ -	$ -

* Preliminary, subject to change.

THE CERTIFICATES

Description of The Certificates . . . The Certificates are dated August 15, 2026 (the "Dated Date") and mature on February 15 in each of the years and in the amounts shown on pages 2 hereof. Interest will accrue from the date of initial delivery thereof (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. The definitive Certificates 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 Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by UMB Bank, N.A., Dallas, Texas (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 CERTIFICATES - Book-Entry-Only System" herein.

Authority for Issuance . . . The Certificates are being issued pursuant to the Constitution 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 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 Waterworks and Sewer System (the "System"), such pledge of the Net Revenues for the payment of the Certificate 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) (none currently outstanding) hereafter issued by the City.

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, within the limits prescribed by law, sufficient to provide for the payment of principal of and interest on all ad valorem tax debt. 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. While State law does not provide for any allocation of the City's tax between debt service and operations, administratively, the Attorney General of the State will permit allocation of approximately two-thirds of the maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based on a 90% collection rate.

Redemption . . . The Certificates are not subject to redemption prior to maturity.

Mandatory Sinking Fund Redemption . . . In the event any of the Certificates are structured as term Certificates, such term Certificates will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Certificate Ordinance, which provisions will be included in the final Official Statement.

Amendments . . . The City, may, without the consent of or notice to any registered owners, from time to time and at any time, amend the Certificates Ordinance 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 Certificates, then outstanding, amend, add to, or rescind any of the provisions of the Ordinance; provided that, without the consent of the registered owners of all of the Certificates, 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 Certificates, reduce the principal amount thereof, 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 Certificates, (2) give any preference to any Certificate over any other Bond or Certificate, as the case may be, or (3) reduce the aggregate principal amount of the Certificates, as the case may be, required to be held by the owners of the Certificates, as the case may be, for consent to any such amendment, addition, or rescission.

Defeasance . . . The Certificate Ordinance provide for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, or otherwise), is provided by irrevocably depositing with a paying agent or other authorized entity, in trust (1) money in an amount sufficient to make such payment or (2) Government Securities, certified by an independent public accounting firm or other qualified third party consultant, that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money, together with any moneys deposited therewith, if any, to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates being defeased, and thereafter, the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Certificates, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Government Securities. The Certificate Ordinance provides 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 under applicable State law that may be used to defease obligations such as the Certificates.

The City has additionally reserved 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 a deposit described above, such Certificates shall no longer be deemed outstanding or unpaid and will be payable solely from the cash and securities deposited with the place of payment.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Certificates 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 Certificates, or 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 Certificates), or 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 Certificates. The Certificates 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 Certificates, 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 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates 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 Certificates 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 Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates 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 Certificates 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 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates 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 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates 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 register and request that copies of the notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates 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 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Certificates 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 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 Certificates 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, Certificates will be printed and delivered.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Certificates 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 Certificates, 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 Certificate Ordinance 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 Purchasers (as defined herein).

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

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is UMB Bank, N.A., Dallas, Texas. In the Certificate Ordinance, 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 Certificates, 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 Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates 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, with respect to the Certificates, certificates 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. Certificates may be assigned by the execution of an assignment form on the Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the 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 Certificates issued in an exchange or transfer of 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 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 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 as the Certificates 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 Certificates.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Certificates 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 Certificate Ordinance does not specify events of default with respect to the Certificates. If the City defaults in the payment of principal, or interest, on the Certificates when due, or if it fails to make payments into any fund or funds created in the Certificate Ordinance, or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the Certificate Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates if there is no other available remedy at law to compel performance of the Certificates or the Certificate Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Certificate Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Certificates upon any failure of the City to perform in accordance with the terms of the Certificate Ordinance, 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. Cty of Jacksonville*, 489 S.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. 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. 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. 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.3d 325 (Tex.2006) that a waiver of sovereign immunity in the 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 Certificates may not be able to bring such a suit against the City for breach of the Certificates or the covenants in the Certificate Ordinance. 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 Certificates. 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 holders of the Certificates 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 creditors' rights 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 opinion relative to the enforceability of the Certificate Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors.

PROPERTY 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.

Unless extended by future legislation, through December 31, 2026, an appraisal district may only increase the appraised value of real property during the 2026 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than $5,320,000 (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. If extended by future legislation, 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 price index, as applicable, to the maximum property value.

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.

On August 9, 2024, in accordance with State law, the Appraisal District approved its Reappraisal Plan (the "Reappraisal Plan") for the 2025-2026 biennium. The Reappraisal Plan states, among other things, that residential property values for the 2025 tax year would be held at their 2024 tax year final values, except for properties with new construction or new improvement value. Furthermore, the Reappraisal Plan provides that residential properties will be reappraised in odd years only, with all other property types being reappraised annually; provided, however, the appraised value of residential properties subject to the homestead limitation described above will continue to increase ten percent (10%) annually, even in non-reappraisal years, until the appraised value of such property equals its market value. The Reappraisal Plan also requires the Appraisal District to obtain and rely upon clear and convincing evidence if the calculated market value of a residential property exceeds a five percent (5%) increase as determined in the prior year's appraisal roll. For additional information regarding the Reappraisal Plan, see https://www.tad.org/content/reports/2025/2025-2026TADReappraisalPlan.pdf.

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 "PROPERTY TAX INFORMATION – City and Taxpayer Remedies").

STATE MANDATED HOMESTEAD EXEMPTIONS . . . State law grants, with respect to each taxing unit 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 are prohibited from repealing or reducing an optional homestead exemption described in (1) above, that was granted in tax year 2022 through December 31, 2027. The exemption described in (2), above, may also 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 outside the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or outside 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, intangible personal property is not taxable pursuant to the Property Tax Code.

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 physically 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. For more information on the exemption, reference is made to Section 11.35 of the Property Tax Code.

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.

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 "PROPERTY TAX INFORMATION – City Application of Tax Code", "– Tax Abatement Policy" and "Table 1 – Valuation, Exemptions and General Obligation Debt."

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 (being (i) commercial real and personal property, (ii) real and personal property of utilities, (iii) industrial and manufacturing real and personal property, and (iv) multifamily residential real 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 tax 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 "PROPERTY 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.

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.

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 rate expressed in dollars per $100 of taxable value calculated by dividing (a) the sum of the foregone revenue amount for each of the preceding three tax years by (b) the “current total value” as defined in Section 26.012 of the Property Tax Code.

"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 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 applies to 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 has 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 the property owner 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 both (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 Certificates.

REGULAR AND SPECIAL LEGISLATIVE SESSIONS . . . The regular session of the 90th Texas Legislature (the "Legislature") is scheduled to commence on January 12, 2027. The Legislature meets in regular session in 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. Texas Governor Greg Abbott has identified on his agenda property tax relief as a legislative priority. The City cannot predict the likelihood of any legislative property tax reform or the impacts therefrom, if implemented.

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.

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 and to the market value of residence homesteads of disabled persons of $36,000.

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

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

The City has adopted the tax freeze for citizens who are disabled or are 65 years of age or older, which became a local option and subject to local referendum on January 1, 2004.

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

The City does not tax nonbusiness personal property and Tarrant County collects taxes for the City.

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

The City does not tax freeport property.

The City does tax goods-in-transit.

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 as described below.

The City has approved 7 economic development agreements under Chapter 380, Texas Local Government Code, as amended.

TAX ABATEMENT POLICY . . . The City has established a tax abatement program to encourage economic development.

In December 2002, the City Council adopted a resolution setting guidelines and criteria for granting tax abatements within the City. These guidelines specifically note that incentives are limited to companies that create new wealth and do not adversely affect existing businesses operating within the City. The guidelines provide that the abatement shall be equal to 50% of investment by the business in eligible property. The guidelines further state that under no circumstance shall the value of the abatement in a single year exceed 50% of the value of the eligible property. However, in the strategic planning areas of Boulevard 26 and Loop 820 corridor, the City will consider 100% abatement for up to 10 years. Since 1989, when the initial abatement resolution was adopted, the City has abated or rebated taxes for ten companies. As of the date of this Official Statement, there are no active companies who are receiving tax abatements. The City may consider a future tax abatement if it meets the guidelines adopted in the 2002 resolution. In the meantime the City has seven economic development incentives through Chapter 380 of the Texas Local Government Code, all are active.

In June of 2016, the City approved an Economic Development agreement with Babe's where the City would construct a Babe's Chicken Dinner House restaurant, parking and related improvements, estimated at $4.5 million. In return, Babe's committed to a triple net lease for 20 years with two successive 10-year terms, which includes rent payments to the City (as landlord), state and local sales taxes and property taxes.

In June of 2016, the City approved an Economic Development agreement with Sweetie Pie's Ribeye's – NRH L.L.C. where the City would construct a Sweetie Pie's Ribeye's restaurant, parking and related improvements, estimated at $2.5 million. In return, Sweetie Pie's committed to a triple net lease for 20 years with two successive 10-year terms, which includes rent payments to the City (as landlord), state and local sales taxes and property taxes.

In July 2020, the City approved an Economic Development agreement with NRH JSK Hospitality, LLC, to construct an 84-room Tru by Hilton Hotel. The City agreed to rebate 30% of the city portion of the hotel occupancy tax for a period of 5-years not to exceed $256,000. The hotel opened in November 2023.

In June 2022, the City approved a tax rebate agreement with Remember The Alamo LLC to facilitate B&B Theatres, the 5th largest domestic theater operation. The City agreed to rebate 50% of the local ad valorem tax increment and 75% of the local general fund sales tax for a period of 10 years. The 42,210 square foot facility opened under the B&B Theatres brand on January 19, 2023.

In March 2023, the City approved an Economic Development agreement with Merlin Entertainments Theme Parks LLC to construct a 10 attraction Peppa Pig Theme Park. The City agreed to reimburse the local ad valorem tax increment and local general fund sales tax on a sliding scale beginning with 100% reimbursement down to 50% throughout Years 1-6 and 45% during Years 7-20. In addition, the City waived 50% of City fees for plan submittal, review, platting, zoning, building and utility permits and inspections generated by the development and construction of the project. The theme park opened in March 2025.

In January 2026, the City approved an Economic Development Agreement with Convergence Capital, LLC for the construction 6,597 square foot commercial building, with the requirement to include a 3,500 square foot La Madeliene restaurant. The City agreed to reimburse up to $500,000 toward eligible improvements related to the 3.6 million dollar project. In addition, the City waived fees for plan submittal, review, platting, zoning, building permits and inspections generated by the development and construction of the project. The restaurant is scheduled to open in early 2027.

In April of 2026, the City approved an Economic Development Agreement with Greenway Parks, LLC in April 2026 where Greenway Parks will provide engineering, design and construction services for the extension of Grand Avenue and Public Open Space Improvements. Greenway Parks will fund an engineering study and installation of crosswalk at Redding Street and Hawk Avenue. The City will sell and convey City property and will reimburse Greenway Parks for eligible construction expenses for Public Open Space Improvements, limited to the City-owned triangular tract, with reimbursement not exceeding park impact fees paid by Greenway Parks. The City will reimburse Greenway Parks and its homebuilders 50% of General Fund Sales Tax Revenue attributable to materials that are physically incorporated into the Property. The City will work with Greenway Parks to facilitate development of Grand Avenue Extension, allocating a maximum of $275,000 to be used towards construction.

TAX INCREMENT FINANCING DISTRICTS. . .

TIF 3

The area surrounding City Hall, known as City Point, is the former location of North Hills Mall, demolished in 2007. In order to enhance the quality and expedite the timing of the development of the area, the City created the City Point Public Improvement District (the "City Point PID") in 2019. In 2019, North Richland Hills also created a Tax Increment Financing (TIF) district, called TIF #3, which has an identical boundary to City Point PID, representing 52.85 acres. The proposed development consists of single-family residential, multi-family residential, and roughly 60,000 square feet of commercial space. It is expected to generate over $225 million in ad valorem tax base upon completion.

Due to the area's regional importance, Tarrant County is also participating in TIF #3. In the TIF, the City would capture 45% of the incremental maintenance and operation portion of the City's real property taxes levied, assessed, and collected over a 20-year period. This equates to approximately 31.36% of the 2025-2026 total City's property tax rate. Tarrant County would participate by capturing 25% of the incremental portion of their County property total tax rate for a 20-year period.

By establishing the reinvestment zone and TIF #3, three separate activities will occur. First, the vacant land around City Hall will develop. Second, the annual City Point PID assessment for the single-family and commercial areas will be reduced to acceptable market conditions utilizing TIF funds. Finally, the tax base from this property will resume to similar levels of the early 2000's, enabling not only the City, but the County, Birdville ISD, Tarrant County College, and the County Hospital to realize tax revenue that each lost with the closure and demolition of the former mall.

The captured taxable value in fiscal year 2024 was $23,524,462. TIF#3 billed $44,811.48 to taxing jurisdictions in fiscal year 2024. The captured taxable value in fiscal year 2025 is $95,692,313. Based on this amount, the total TIF#3 billed amount to the taxing jurisdictions is $174,722.81. The captured taxable value in fiscal year 2026, as reported by Tarrant Appraisl District as part of the City's July 2026 Certified Tax Roll, was $166,691,897.

PUBLIC IMPROVEMENT DISTRICTS . . .

On September 9, 2019, City Council authorized the creation of the City Point Public Improvement District (PID). Pursuant to Chapter 372 of the Texas Local Government Code, a PID is a designated area where property owners pay a special assessment for improvements and services within that area. The services must benefit the District area and are supplemental to services already provided by the City. The public improvements proposed by the District consist of streets and roadways, sidewalks, street lighting and off-street parking, water, sewer and drainage improvements, and public open space. The estimated cost to design and construct, together with bond issuance costs and legal, financial and administration fees, is not to exceed $15,000,000. The City is not obligated to provide any funds to finance the District's public improvements. Rather, the City is only obligated to administer the annual assessments levied on District property. In 2019, the City also established TIF 3 to assist in funding the public improvements within the District. The purpose of this zone is to utilize revenue generated by the tax increment to offset a portion of the annual PID assessment down to acceptable market levels and property owner affordability.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2025/26 Market Valuation Established by Tarrant Appraisal District (excluding totally exempt property)		$	11,811,465,653
Less Exemptions/Reductions at 100% Market Value:			
Residential Exemptions, Over 65 and Disabled	$ 247,328,245		
Disabled Veterans	111,759,384		
Solar & Wind Powered Devices	773,913		
Pollution Control	40,250		
Absolute Exemptions	626,112,889		
Agriculture Land Use Reductions	14,039,041		
Inventory	15,654,470		
Nominal Value	412,169		
Homestead Exemption	1,205,112,516		
Homestead Cap Adjustment	212,722,230		
Miscellaneous Property	40,394,194		
			2,474,349,301
2025/26 Certified Net Taxable Assessed Value		$	9,337,116,352
Plus Net Taxable Value in Arbitration			(111,108,622)
Plus Net Taxable Value in Incomplete Property			(27,686,739)
Plus Net Taxable Value in Process			(1,125,660)
2025/26 Total Net Taxable Assessed Valuation		$	9,197,195,331
2025/26 Incremental Taxable Assessed Value of Real Property within Reinvestment Zone Number 3			160,604,101
2025/26 Taxable Assessed Valuation Net of Reinvestment Zone		$	9,036,591,230
2026/27 Taxable Assessed Value (estimated certified value as of 7/24/2026)		$	8,838,110,781
General Obligation Debt Payable from Ad Valorem Taxes (as of 05/31/2026)			
General Obligation Bonds	$ 61,770,000		
Certificates of Obligation	47,430,000		
The Certificates	2,895,000 (1)		
General Obligation Debt Payable from Ad Valorem Taxes		$	112,095,000
Less: Self - Supporting Debt (2)			
Golf Course	$ 2,405,000		
Aquatic Park	6,990,000		
Water and Sewer	18,145,000		
Drainage	600,000		
Park Development	2,690,000		30,830,000
Net General Obligation Debt Payable from Ad Valorem Taxes		$	81,265,000
Interest and Sinking Fund as of 05/31/2026		$	2,995,995
Ratio Net General Obligation Tax Debt to Total Net Taxable Assessed Valuation			0.88%

2026 Estimated Population - 74,859

Per Capita Taxable Assessed Valuation - $122,860

Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - $1,086

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(1) Preliminary, subject to change.

(2) General obligation debt in the amounts shown for which repayment is provided from revenues of the respective revenue systems. The amount of self-supporting debt is based on the percentages of revenue support as shown in "Table 9 – Computation of Self-Supporting Debt." It is the City's current policy to provide these payments from respective system revenues; this policy is subject to change in the future. In the event the payments are not made from the revenues in the future, the difference will have to be paid with ad valorem taxes.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Vaue for Fiscal Year Ended September 30,					
	2026		2025		2024	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 7,722,837,430	65.38%	$ 7,358,042,672	66.18%	$ 6,571,255,322	64.21%
Real, Residential, Multi-Family	1,568,817,681	13.28%	1,498,277,398	13.48%	1,473,055,327	14.39%
Real, Vacant Lots/Tracts	123,126,463	1.04%	115,899,074	1.04%	113,300,872	1.11%
Real, Acreage (Land Only)	14,001,485	0.12%	103,192	0.00%	103,731	0.00%
Real, Farm and Ranch Improvements	3,439,411	0.03%	3,590,556	0.03%	4,340,887	0.04%
Real, Commercial	1,808,899,749	15.31%	1,561,962,191	14.05%	1,521,007,432	14.86%
Real, Industrial	39,912,220	0.34%	37,798,071	0.34%	35,428,221	0.35%
Real, Oil, Gas and Mineral Reserve	7,204,141	0.06%	8,250,381	0.07%	59,393,340	0.58%
Real and Tangible Personal, Utilities	89,371,982	0.76%	119,167,630	1.07%	88,637,420	0.87%
Tangible Personal, Commercial	327,805,489	2.78%	305,388,023	2.75%	249,139,135	2.43%
Tangible Personal, Industrial	35,398,088	0.30%	34,018,294	0.31%	33,911,066	0.33%
Tangible Personal, Mobile Homes	3,460,779	0.03%	3,426,830	0.03%	3,459,283	0.03%
Real Property, Inventory	61,069,717	0.52%	71,571,347	0.64%	80,666,993	0.79%
Total Exempt Property	6,121,018	0.05%	-	0.00%	-	0.00%
Total Appraised Value Before Exemptions	$ 11,811,465,653	100.00%	$ 11,117,495,659	100.00%	$ 10,233,699,029	100.00%
Less: Total Exemptions/Reductions	(2,474,349,301)		(2,065,588,203)		(1,912,566,141)	
Certified Net Taxable Assessed Value	$ 9,337,116,352		$ 9,051,907,456		$ 8,321,132,888	
Net Taxable Value in Arbitration	(139,921,021)		321,458,956		442,442,692	
Total Net Taxable Assessed Value	$ 9,197,195,331		$ 9,373,366,412		$ 8,763,575,580	

	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2023		2022	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 5,838,278,639	64.57%	$ 5,370,570,560	64.86%
Real, Residential, Multi-Family	1,299,450,912	14.37%	1,017,788,190	12.29%
Real, Vacant Lots/Tracts	109,555,473	1.21%	108,454,236	1.31%
Real, Acreage (Land Only)	128,964	0.00%	17,896,657	0.22%
Real, Farm and Ranch Improvements	3,435,130	0.04%	3,544,591	0.04%
Real, Commercial	1,369,153,673	15.14%	1,299,409,954	15.69%
Real, Industrial	34,289,102	0.38%	32,975,644	0.40%
Real, Oil, Gas and Mineral Reserve	29,787,970	0.33%	8,295,160	0.10%
Real and Tangible Personal, Utilities	61,045,703	0.68%	68,578,074	0.83%
Tangible Personal, Commercial	170,041,355	1.88%	239,483,926	2.89%
Tangible Personal, Industrial	34,255,303	0.38%	38,534,219	0.47%
Tangible Personal, Mobile Homes	3,399,983	0.04%	3,465,641	0.04%
Real Property, Inventory	89,091,490	0.99%	70,649,404	0.85%
Total Appraised Value Before Exemptions	$ 9,041,913,697	100.00%	$ 8,279,646,256	100.00%
Less: Total Exemptions/Reductions	(1,720,243,906)		(1,584,157,454)	
Certified Net Taxable Assessed Value	$ 7,321,669,791		$ 6,695,488,802	
Net Taxable Value in Arbitration	362,725,185		270,006,277	
Total Net Taxable Assessed Value	$ 7,684,394,976		$ 6,965,495,079	

NOTE: Valuations shown are certified taxable assessed values reported by the Tarrant 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 Tarrant Appraisal District updates records. Valuations shown include the incremental taxable assessed value of property within TIF No. 3.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9-30	Estimated Population		Taxable Assessed Valuation [3]	Taxable Assessed Valuation Per Capita	Net G.O. Tax Debt Outstanding at End of Year [4]	Ratio of Net G.O. Tax Debt to Taxable Assessed Valuation	Net G.O. Tax Debt Per Capita
2022	71,904	(1)	$ 6,965,495,079	$ 96,872	$ 95,175,000	1.37%	$ 1,324
2023	72,587	(1)	7,684,394,976	105,865	102,630,000	1.34%	1,414
2024	73,311	(2)	8,763,575,580	119,540	97,945,000	1.12%	1,336
2025	73,311	(2)	9,373,366,412	127,858	87,980,000	0.94%	1,200
2026	74,859	(2)	9,197,195,331	122,860	81,265,000 (5)	0.88% (5)	1,086 (5)

(1) Source: North Central Texas Council of Government.
(2) Estimate of City staff.
(3) As reported by the Tarrant Appraisal District on City's annual State Property Tax Reports; subject to change during the ensuing year. Valuations shown include the incremental taxable assessed value of property within TIFD No. 2.
(4) Excludes self-supporting debt.
(5) Projected, includes a portion of the Certificates. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY, AND COLLECTION HISTORY

Fiscal Year Ended 9-30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2022	$ 0.57218	$ 0.34886	$ 0.22332	$ 39,369,801	94.12%	94.12%
2023	0.54797	0.34774	0.20023	41,053,092	94.81%	94.81%
2024	0.49816	0.32235	0.17581	41,274,082	95.30%	95.30%
2025	0.48938	0.33143	0.15795	43,553,042	95.14%	95.14%
2026	0.49785	0.34695	0.15090	45,958,374	97.71% (1)	97.71% (1)

(1) Preliminary information as of May 31, 2026 provided by City staff.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2026/27 Taxable Assessed Valuation [1]	% of Total Taxable Assessed Valuation
S2 8500 Harwood LLC	Real Estate Multi Family	$ 109,500,000	1.24%
Company One LLC	Real Estate Multi Family	80,406,479	0.91%
Shalom Waters LLC	Real Estate Multi Family	74,600,000	0.84%
CRP/NRP City Point Owner LP	Real Estate Multi Family	69,500,000	0.79%
Cavalli At Iron Horse Station POE LLC	Real Estate Multi Family	66,700,000	0.75%
Sovereign at Hometown LLC	Real Estate Multi Family	66,000,000	0.75%
Devon Square LLC	Real Estate Multi Family	63,343,991	0.72%
SPI Hometown 316 DE LLC	Real Estate Multi Family	60,900,000	0.69%
Star Delano LLC/Star Meadows LLC	Real Estate Multi Family	57,000,000	0.64%
NRH Iron Horese LLC	Real Estate Multi Family	52,800,000	0.60%
		$ 700,750,470	7.93%

GENERAL OBLIGATION DEBT LIMITATION . . . Other than as described under "THE CERTIFICATES – Tax Rate Limitation", no general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter (see "THE CERTIFICATES – Tax Rate Limitation").

TABLE 6 - 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.

Tax Jurisdictions	2025/26 Taxable Assessed Valuation	2025/26 Tax Rate	Total Funded Debt 6/30/2026	Estimated % Applicable	City's Overlapping Funded Debt As of 6/30/2026	Authorized But Unissued Debt as of 6/30/2026
City of North Richland Hills	$ 9,197,195,331 (1)	$ 0.497845	$ 81,265,000 (2)	100.00%	$ 81,265,000 (2)	$ -
Birdville Independent School District	14,548,713,164	1.187000	535,345,000	48.80%	261,248,360	475,487,500
Hurst-Euless-Bedford Independent School District	20,406,317,174	1.029000	813,765,000	0.06%	488,259	397,300,000
Keller Independent School District	25,505,703,244	1.085000	627,815,000	3.67%	23,040,811	-
Tarrant County	298,706,022,035	0.186000	314,050,000	2.99%	9,390,095	205,600,000
Tarrant County Hospital District	298,547,261,465	0.165000	429,425,000	2.99%	12,839,808	350,000,000
Tarrant County College District	326,653,911,760	0.112000	547,535,000	2.99%	16,371,297	125,000,000
Total Direct and Overlapping Tax Supported Debt					$ 404,643,629	
Ratio of Direct and Overlapping Tax Supported Debt to Taxable Assessed Valuation					4.40%	
Per Capita Direct and Overlapping Tax Supported Debt					$ 5,405.41	

(1) As reported by the Tarrant Appraisal District on City's annual State Property Tax Reports; subject to change during the ensuing year. Valuations shown include the incremental taxable assessed value of property within TIF No. 2.
(2) Projected, net of self-supported debt. Preliminary, subject to change.

TABLE 7 – PRO FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended	Outstanding Debt [1]		The Certificates [2]		Total Outstanding	Less: Self-Supporting W&S	Less: Self-Supporting Aquatic	Less: Self-Supporting Golf	Less: Self-Supporting Drainage	Less: Self Supporting Park Development	Tax Supported Net	% of Principal
9/30	Principal	Interest	Principal	Interest	Debt	Debt	Debt	Debt	Debt	Debt	Debt Service	Retired
2026	$ 12,605,000	$ 4,454,053	$ -	$ -	$ 17,059,053	$ 2,383,795	$ 1,006,726	$ 291,059	$ 175,513	$ 410,505	$ 12,791,456	
2027	12,075,000	3,973,433	285,000	122,748	16,456,181	2,307,338	933,915	284,449	169,975	400,005	12,360,499	
2028	11,240,000	3,494,757	290,000	123,250	15,148,007	2,229,352	866,536	272,634	163,125	388,555	11,227,805	
2029	10,520,000	3,048,573	290,000	108,750	13,967,323	2,104,710	834,981	246,705	161,150	376,155	10,243,621	
2030	9,880,000	2,640,921	290,000	94,250	12,905,171	1,918,721	740,060	241,494	139,325	363,635	9,501,935	46.09%
2031	9,475,000	2,256,499	290,000	79,750	12,101,249	1,846,282	706,869	236,187	25,525	350,995	8,935,391	
2032	9,125,000	1,893,130	290,000	65,250	11,373,380	1,787,430	585,969	225,844	-	221,825	8,552,313	
2033	7,570,000	1,576,801	290,000	50,750	9,487,551	1,487,732	567,150	210,604	-	216,125	7,005,941	
2034	7,075,000	1,300,856	290,000	36,250	8,702,106	1,443,690	548,313	205,406	-	210,425	6,294,272	
2035	4,795,000	1,081,983	290,000	21,750	6,188,733	1,366,414	529,456	200,156	-	204,725	3,887,981	77.76%
2036	4,790,000	911,094	290,000	7,250	5,998,344	1,323,963	505,681	194,797	-	198,906	3,774,997	
2037	4,510,000	746,847	-	-	5,256,847	1,178,659	369,406	189,219	-	192,969	3,326,594	
2038	4,210,000	592,141	-	-	4,802,141	1,135,066	350,609	183,531	-	-	3,132,934	
2039	3,770,000	450,119	-	-	4,220,119	831,269	312,375	177,844	-	-	2,898,631	
2040	3,405,000	323,209	-	-	3,728,209	630,075	300,900	-	-	-	2,797,234	94.58%
2041	3,145,000	205,269	-	-	3,350,269	606,250	290,700	-	-	-	2,453,319	
2042	2,260,000	101,200	-	-	2,361,200	582,169	280,500	-	-	-	1,498,531	
2043	1,100,000	32,544	-	-	1,132,544	-	270,300	-	-	-	862,244	
2044	255,000	5,100	-	-	260,100	-	260,100	-	-	-	-	
2045	-	-	-	-	-	-	-	-	-	-	-	100.00%
	$ 121,805,000	$ 29,088,527	$ 2,895,000	$ 709,998	$ 154,498,525	$ 25,162,914	$ 10,260,547	$ 3,159,929	$ 834,613	$ 3,534,825	$ 111,545,698	

(1) "Outstanding Debt" includes self-supporting debt.
(2) Average life of the issue – 4.905 Years. Interest on the Certificates has been calculated at the average rate of 3.56% for purposes of illustration. Preliminary, subject to change.

TABLE 8 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax-Supported Net Debt Service Requirements, Fiscal Year Ending 9/30/26		$ 12,791,456
Interest and Sinking Fund Balance, 9/30/25	$ 1,587,877	
Interest and Sinking Fund Tax Levy	12,509,495	
Transfer from Fleet Services	207,300	
Transfer from Park Services	410,505	
Transfer from Drainage Services	175,513	
Estimated Interest Income	90,000	14,980,690
Estimated Balance 9/30/26		$ 2,189,234

TABLE 9 – COMPUTATION OF SELF-SUPPORTING DEBT

For several years, the City has followed a plan whereby capital improvements for various enterprise funds and distinct operating functions of the City have been funded with tax-supported debt such as voted bonds or non-voted certificates of obligation. Generally, the debt service requirements for the applicable portion of these bond or certificate issues have been funded from operating charges and revenues of the appropriate funds or functions. The golf course, water and sewer utility, drainage utility, TIFDs, Aquatic Park, and Park Development are some of the functions that have benefited from this type of financing arrangement.

Waterworks and Sewer System	
Net Revenues Available from Waterworks and Sewer System, Fiscal Year Ended 9-30-25	$ 9,732,882
Less: System General Obligation Bond Requirements, 2026 Fiscal Year	2,383,795
Balance	$ 7,349,087
Percentage of Waterworks and Sewer System General Obligation Debt Self-Supporting	100.00%
Aquatic Park System	
Net Revenues Available from Aquatic Park System, Fiscal Year Ended 9-30-25	$ 914,726
Less: System General Obligation Bond Requirements, 2026 Fiscal Year	92,000
Balance	$ 1,006,726
Percentage of Aquatic Park System General Obligation Debt Self-Supporting	100.00%
Golf Course Center	
Net Revenue Available from Golf Course Center, Fiscal Year Ended 9-30-25	$ 479,054
Golf Course Center General Obligation Requirements, 2026 Fiscal Year	291,059
Balance	$ 187,995
Percentage of Golf Course Center General Obligation Debt Self-Supporting	90.19%
Drainage Utility System	
Net Revenues Available from Drainage Utility System, Fiscal Year Ended 9-30-25	$ 1,917,578
Less: System General Obligation Bond Requirements, 2026 Fiscal Year	175,513
Balance	$ 1,742,065
Percentage of Drainage Utility System General Obligation Debt Self-Supporting	100.00%
Park Development System	
Revenues Available from Park Development System, Fiscal Year Ended 9-30-25	$ 3,910,996
Less: System General Obligation Bond Requirements, 2026 Fiscal Year	410,505
Balance	$ 3,500,491
Percentage of Park Development System General Obligation Debt Self-Supporting	100.00%

TABLE 10 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS. . . The City does not currently have any authorized but unissued debt.

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT . . . The City does not anticipate issuing additional tax supported debt this calendar year.

CAPITAL IMPROVEMENT PLAN

The City maintains a multi-year plan for capital improvement needs. The capital improvement plan ("CIP") is part of the ongoing effort by the City to meet the needs of a growing community, while stabilizing the tax burden of the citizens of the City. The strategy includes managing the cost of capital projects, paying cash for capital projects when deemed appropriate, and reducing interest expense by managing the borrowing of funds. The current CIP was adopted September 8, 2025 and includes new project funding of approximately $18,010,100 for streets, sidewalks, drainage, water and sewer, parks and recreation, aquatic park, facility expansions, and major capital equipment. A CIP is by its nature a planning tool and it is possible that new projects will be added that are not currently identified, and that some projects in the CIP will not be undertaken for various reasons.

TABLE 11 - OTHER OBLIGATIONS

The City leases property and equipment from various third parties to conduct its operation, the terms of which expire 2029 through 2030. 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 are fixed in substance, and any lease incentives payable to the lessee.

As of September 30, 2025, the value of the lease liabilities was $539,855 for business-type activities. Incremental borrowing rates of 0.9160 percent to 7.9900 percent were used to measure lease liabilities. The value of the right-to-use asset as of the end of the current fiscal year was $696,113 for business-type activities and has accumulated amortization of $174,555 for business-type activities.

Purpose	Interest Rate	Principal Amount
Governmental activities	N/A	$ -
Business-type activities	0.9160% - 7.9900%	539,855
		$ 539,855

Annual lease payments for the capital leases are as follows:

Fiscal Year Ending September 30,	Governmental Activities		Business-Type Activities	
2026	$ -	$ -	$ 144,757	$ 35,349
2027	-	-	156,081	24,025
2028	-	-	168,326	11,780
2029	-	-	67,477	1,167
2030	-	-	3,214	13
	$ -	$ -	$ 539,855	$ 72,334

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PENSION FUND . . . The City of North Richland Hills participates as one of 930 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 (the 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 based on 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.

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

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

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years to any age, or 5 years at a 60 and above
Updated service credit	100% repeating, transfers
Annuity increase to retirees	70% of CPI, repeating

Employees Covered by Benefit Terms. . . 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	502
Inactive Employees entitled to but not yet receiving benefits	389
Active Employees	567
	1,458

Contribution . . . Member contribution rates in TMRS are either 5%, 6%, 7% or 8% 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 were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 17.91%, 18.27% and 18.30% in calendar years 2024, 2025 and 2026, respectively. The City's contributions to TMRS for the year ended September 30, 2025 were $8,811,315, 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:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for poulation declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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 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 the most recent Scale MP-2021 to account for future mortality improvements subject to the 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 to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investment was determined by best estimate ranges of expected returns for each major asset class. These 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	of Return (Arithmetic)
Global Equity	35.00%	7.10%
Core Fixed Income	6.00%	5.00%
Non-Core Fixed Income	6.00%	6.80%
Other Public and Private Markets	4.00%	7.30%
Real Estate	12.00%	6.70%
Hedge Funds	5.00%	6.40%
Private Equity	13.00%	8.50%
Private Debt	13.00%	8.20%
Infrastructure	6.00%	6.00%
Total	100.00%	

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.

Basis of Allocation. . . Pension items are allocated between governmental activities and business-type activities on the basis of employee payroll funding. For the year ended September 30, 2025, those percentages were 83% and 17%, respectively, which approximated the prior year's allocations.

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at October 1, 2024	$ 334,288,826	$ 300,618,183	$ 33,670,643
Changes for the year:			
Service cost	9,178,815	-	$ 9,178,815
Interest	22,342,705	-	22,342,705
Difference between expected and actual experience	2,934,466	-	2,934,466
Change in assumptions	-	-	-
Contributions - employer	-	8,688,828	(8,688,828)
Contributions - employee	-	3,395,967	(3,395,967)
Net investment income	-	31,203,370	(31,203,370)
Benefit payments, including refunds of employee contributions	(15,750,401)	(15,750,401)	-
Administrative expense	-	(200,326)	200,326
Other changes	-	(4,685)	4,685
Net changes	18,705,585	27,332,753	(8,627,168)
Balance at September 30, 2025	$ 352,994,411	$ 327,950,936	$ 25,043,475

*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 calculate 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	$ 73,573,769	$ 25,043,475	$ (14,901,443)

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 and 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 negative $9,996,414.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	$ -	$ 3,226,400
Difference in assumption changes	-	920,062
Difference between expected and actual experience	4,291,716	-
Contributions subsequent to the measurement date	6,462,701	-
Total	$10,754,417	$ 4,146,462

$6,462,701 reported as deferred outflows of resources related to pension 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:

Fiscal Year Ended September 30,	Amount
2026	$ 1,875,646
2027	4,583,571
2028	(4,131,636)
2029	(2,182,327)
Total	$ 145,254

FINANCIAL INFORMATION

TABLE 12 – CHANGES IN NET POSITION

	Fiscal Year Ended September 30,					
Revenues:	2025	2024	2023		2022	2021
Program Revenue:						
Charges for Services	$ 16,289,857	$ 14,347,289	$ 13,363,845		$ 14,700,199	$ 14,025,581
Operating Grants and Contributions	8,097,088	9,453,766	11,629,266		13,154,097	9,531,551
Capital Grants and Contributions	120,191	3,894,932	3,150,822		455,039	244,322
General Revenue:						
Property Tax	41,246,855	39,173,607	39,004,572		37,241,474	36,030,318
Sales Tax	29,655,963	27,974,040	27,620,289		26,399,204	23,960,318
Other Taxes/Fees	4,410,146	4,420,551	4,485,873		4,235,783	4,000,484
Investment Earnings	9,166,654	12,509,620	10,761,970		(786,588)	109,853
Miscellaneous	1,067,880	766,312	780,358		(3,979,629)	983,598
Total Revenue	$110,054,634	$ 112,540,117	$ 110,796,995		$ 91,419,579	$ 88,886,025
Expenses:						
General Government	$ 22,501,408	$ 21,009,361	$ 21,587,224		$ 14,110,928	$ 16,217,730
Public Safety	47,016,612	46,547,157	50,266,194		29,248,967	31,352,267
Public Works	9,606,639	9,526,246	9,938,628		9,595,172	10,915,178
Parks and Recreation	15,542,862	15,199,634	14,938,648		10,137,484	11,744,572
Interest on Long-Term Debt	3,743,626	5,390,250	4,440,585		4,011,988	3,681,268
Total Expenses	$ 98,411,147	$ 97,672,648	$ 101,171,279		$ 67,104,539	$ 73,911,015
Increase (Decrease) in Net Position before Transfers	$ 11,643,487	$ 14,867,469	$ 9,625,716		$ 24,315,040	$ 14,975,010
Transfers	3,438,779	4,716,969	4,657,924		1,379,404	2,733,649
Increase in Net Position	$ 15,082,266	$ 19,584,438	$ 14,283,640		$ 25,694,444	$ 17,708,659
Net Position at Beginning of Year	322,457,163	302,872,725	288,589,085	(1)	273,562,322	255,853,663
Net Position at End of Year	$337,539,429	$ 322,457,163	$ 302,872,725		$ 299,256,766	$ 273,562,322

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(1) Restated

TABLE 12A - GENERAL FUND REVENUES AND EXPENDITURES HISTORY

	For Fiscal Year Ended September 30,				
Revenues	2025	2024	2023	2022	2021
Taxes, Penalties and Interest	$ 46,505,821	$ 42,658,156	$ 43,308,394	$ 39,263,806	$ 36,511,959
Licenses and Permits	2,075,037	2,427,075	2,009,138	3,083,283	3,212,074
Intergovernmental	3,104,452	3,496,421	5,067,321	2,869,295	2,899,390
Charges for Services	3,251,082	2,739,880	2,820,125	2,371,158	2,177,065
Investment Income	1,227,564	1,788,027	1,239,101	(202,876)	70,589
Fines and Forfeitures	1,912,599	1,269,168	1,334,004	1,974,887	2,005,086
Miscellaneous	639,141	370,987	375,432	489,352	333,288
Total Revenues	$ 58,715,696	$ 54,749,714	$ 56,153,515	$ 49,848,905	$ 47,209,451
Expenditures					
General Government	$ 14,830,572	$ 14,484,214	$ 13,551,468	$ 9,901,085	$ 9,367,082
Public Safety	36,500,276	34,462,988	33,284,309	30,750,543	29,514,907
Public Works	3,340,298	3,487,973	3,422,075	2,838,477	3,588,028
Culture and Recreation	4,095,601	3,934,716	3,944,118	3,724,342	2,710,874
Capital Outlay	1,502,180	486,591	72,032	2,565,619	5,188,230
Total Expenditures	$ 60,268,927	$ 56,856,482	$ 54,274,002	$ 49,780,066	$ 50,369,121
Excess (Deficiency) of Revenues over Expenditures	$ (1,553,231)	$ (2,106,768)	$ 1,879,513	$ 68,839	$ (3,159,670)
Proceeds from Sale of Assets	$ 42,464	$ 18,074	$ 3,087	$ 7,625	$ 8,167
Leases Issued	1,429,759	237,232	16,998	-	-
Insurance Recoveries	7,718	23,910	16,036	-	-
Net Transfers In (Out)	2,475,990	1,734,922	2,718,599	1,863,961	3,437,502
Fund Balance - October 1	26,098,972	26,191,602	21,557,369	19,616,944	19,330,945
Fund Balance - September 30	$ 28,501,672 (1)	$ 26,098,972	$ 26,191,602	$ 21,557,369	$ 19,616,944

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(1) Of this balance, $138,144 was restricted or assigned and $28,363,528 is unassigned/unrestricted and available for any lawful expenditure . Such restrictions/assignments are subject to change each year during the City's budgetary process.

TABLE 13 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Texas 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 Certificates. Collection and enforcement 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.

In August of 1992, 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. Collection for the additional tax went into effect on January 1, 1993. The tax is collected solely for the benefit of North Richland Hills Park and Recreation Facilities Development Corporation (the "Corporation") and may be pledged to secure payment of sales tax revenue bonds issued by the Corporation.

In February of 1996, the voters approved the imposition of an additional sales and use tax of one-half of one percent (½ of 1%) for crime control and prevention. Collection for the additional tax went into effect on July 1, 1996. North Richland Hills voters approved a ten-year continuation referendum in May 2001. A referendum for a twenty-year continuation of the tax was approved by the voters of the City on May 8, 2010. The tax is collected solely for the benefit of North Richland Hills Crime Control and Prevention District (the "District") and may be pledged to secure payment for crime control and prevention programs for the District.

Table 13, below, sets forth the amounts collected from the City's general 1% sales tax for the periods shown.

Fiscal Year Ended 9/30	1% Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2022	$ 13,219,393	33.58%	$ 0.1898	$ 184
2023	13,819,833	33.66%	0.1798	190
2024	13,990,500	33.90%	0.1596	191
2025	14,828,584	34.05%	0.1582	202
2026	9,155,533 (1)	19.92%	0.0995	122

(1) Partial collections reported by State Comptroller's Office through April 30, 2026. Preliminary, subject to change.

The sales tax breakdown for the City is as follows:

Crime Control and Prevention District	0.50¢
Economic and Community Development	0.50¢
City Sales & Use Tax	1.00¢
State Sales & Use Tax	6.25¢
Total	8.25¢

As noted in "Table 13 - 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 though 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 recorded when the related fund liability is incurred except for interest on general long-term obligations, which is recorded when due or when amounts have been accumulated in the Debt Service Fund for payments to be made early in the following year, and accrued benefit leave which is recorded in the general long-term debt account group.

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

Transfers are recognized in the accounting period in which the interfund receivable and payable arise (see Appendix B - "Excerpts from The City of North Richland Hills, Texas Comprehensive Annual Financial Report for the Year Ended September 30, 2025").

General Fund Balance . . . The City's policy is to maintain surplus and unencumbered fund balance equal to 15% of the next fiscal year's operating budget. The City budgets on a 98.5% collections ratio and the 1.5% non-collectible factor is accounted for in the General Fund.

Debt Service Fund Balance . . . The City's practice is to maintain surplus funds up to 1/12th of the principal and interest payments on the issue for the immediately preceding bond year.

Use of Bond Proceeds . . . The City's policy is to use bond proceeds for capital expenditures only. The use of funds may include professional services, such as engineering, which may be performed by a third-party consultant or City staff.

Budgetary Procedures . . . The City Charter establishes the fiscal year as the twelve-month period beginning October 1. The departments submit to the City Manager a budget of estimated expenditures for the ensuing fiscal year by the middle of May. The City Manager subsequently submits a budget of estimated expenditures and revenues to the City Council by August 15. The City Council shall hold a public hearing on the budget after giving at least 10 days notice of the hearing in the official newspaper of the City. The Council shall then make any changes in the budget as it deems advisable and shall adopt a budget prior to October 1. If the Council fails to adopt a budget, the budget proposed by the City Manager shall deem to have been adopted.

During the fiscal year, strict budgetary control is maintained by various methods, including the review of departmental appropriation balances with purchase requisitions prior to their release to vendors.

Departmental appropriations that have not been expended or encumbered lapse at the end of the fiscal year. Therefore, funds that were budgeted and not used by the departments during the fiscal year are not available for their use unless appropriated in the ensuing fiscal year's budget.

Fund Investments . . . The City's investment policy parallels, and in some cases is more restrictive than, the state laws which govern the investment of public funds. The City generally restricts investments to direct obligations of the United States Government and its agencies and to insured or collateralized bank certificates of deposit and public funds investment pools.

INVESTMENTS

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

LEGAL INVESTMENTS . . . Under State law and subject to certain limitations, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) “A” or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized U.S. government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an “A” or better rated state or national bank; (10) 270-day or shorter bankers’ acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least “A-1” or “P-1”; (11) commercial paper rated at least “A-1” or “P-1”; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) “AAA” or “AAAm”-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The City may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the City may not invest more than 15 percent of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund's total assets.

Except as stated above or inconsistent with its investment policy, the City may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the City is not required to liquidate the investment unless it no longer carries a required rating, in which case the City is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

INVESTMENT POLICIES . . . Under State law, the City is required to adopt and annually review written investment policies and must invest its funds in accordance with its policies. The policies must identify eligible investments and address investment diversification, yield, maturity, and the quality and capability of investment management. For investments whose eligibility is rating dependent, the policies must adopt procedures to monitor ratings and liquidate investments if and when required. The policies must require that all investment transactions settle on a delivery versus payment basis. The City must adopt a written investment strategy for each fund group to achieve investment objectives in the following order of priority: (1) suitability, (2) preservation and safety of principal, (3) liquidity, (4) marketability, (5) diversification, and (6) yield.

State law requires the City's investments 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." The City is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers.

TABLE 14 - CURRENT INVESTMENTS

As of June 30, 2026, the City's investable funds were invested in the following categories:

Type of Investment	Maturity Value	% of Portfolio
Treasuries	$ 25,715,000	17.11%
Agency Notes	29,628,000	19.72%
Municipal Bond/Notes	18,475,000	12.29%
Commercial Paper	2,500,000	1.66%
Corporate Bond/Note	1,375,000	0.91%
TexPool Money Market	15,070,006	10.03%
Texas Range	920,905	0.61%
Tex Connect	56,597,564	37.66%
	$ 150,281,475	62.34%

The Texas State Comptroller of Public Accounts exercises oversight responsibility over the Texas Local Government Investment Pool ("TexPool"). Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed both of participants in TexPool and of the other persons who do not have a business relationship with TexPool. The advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAA by S&P. TexPool operates in a manner consistent with the Security and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. As such, TexPool uses amortized cost to report net assets and share prices since that amount approximates fair value.

The Texas Range Investment Program ("Texas Range" or the "Program") was created by and for Texas local Governments to provide investment programs tailored to the needs of Texas cities, counties, school districts and other public investors. Texas Range portfolios seek to provide these investors with safety, flexibility and completive yields. Texas Range offers a series of professionally manage portfolios that are available to government entities in the State of Texas. Texas Range offers distinct investment options, TexasDaily, TexasDAILY Select, TexasTERM, and TexasTERM Certificates of Deposit Purchase Program. Since its inception, Texas Range has been focused solely on the investment needs and objectives of Texas Local Governments.

TAX MATTERS

TAX EXEMPTION . . .The delivery of the Certificates is subject to the opinion of Bond Counsel to the effect that interest on the Certificates 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. A forms of Bond Counsel's opinion is reproduced in Appendix C. The statutes, regulations, rulings, and court decisions on which such opinion is 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 Certificates pertaining to the use, expenditure, and investment of the proceeds of the Certificates and will assume continuing compliance by the City with the provisions of the Certificate Ordinance, subsequent to the issuance of the Certificates. The Certificate Ordinance, contain covenants by the City with respect to, among other matters, the use of the proceeds of the Certificates and the facilities financed or re-financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Certificates 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 Tax-Exempt Certificates to be includable in the gross income of the owners thereof from the date of the issuance of the Certificates.

Bond Counsel's opinion is not a guarantee of a result, but represents 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 opinion of Bond Counsel, and Bond Counsel's opinion is 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 Certificates is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Certificates 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 Certificates, the City may have different or conflicting interests from the owners of the Certificates. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates 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 Certificates. Prospective purchasers of Certificates should be aware that the 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, 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, Certificates. 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 Certificates. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Certificates.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Certificates 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 Certificates. Prospective purchasers of the Certificates 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 Certificates (the "Discount Certificates") may be less than the amount payable on such Certificates 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 Certificates 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 Certificates 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, individual recipients of Social Security or Railroad Retirement benefits, corporations subject to the alternative minimum tax on adjusted financial statement income, 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 Certificates should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Certificates. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Certificates 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 Certificates (the "Premium Certificates") paid by an owner may be greater than the amount payable on such Certificates 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 Certificates should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Tax-Exempt Certificates.

Qualified Tax-Exempt Obligations for Financial Institutions . . . Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code completely disallows any deduction for interest expense which is incurred by "financial institutions" described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this rule for interest expense allocable to tax-exempt obligations (other than private activity bonds) which are designated by an issuer, such as the City, as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed $10,000,000.

The City will designate the Certificates as "qualified tax-exempt obligations" and will certify its expectation that the above-described $10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Certificates will not be subject to the one-hundred percent (100%) disallowance of interest expense allocable to interest on the Certificates under Section 265(b) of the Code. However, twenty percent (20%) of the interest expense incurred by a financial institution which is allocable to the interest on the Certificates will not be deductible pursuant to section 291 of the Code.

CONTINUING DISCLOSURE OF INFORMATION

In the Certificate Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

Annual Reports . . . The City will provide certain updated financial information and operating data to the MSRB on an annual basis in an electronic format that is prescribed by the MSRB and available via EMMA. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 5 and 7 through 14 and in APPENDIX B. The City will update and provide the information in Tables 1 through 5 and 7 through 14 within six months after the end of each fiscal year ending in and after 2026 and will update and provide audited financial statements within 12 months after the end of each fiscal year ending in and after 2026, if available. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will 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 B 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 identified above 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, the City must provide updated information included in Tables 1 through 5 and 7 through 14 by the last day of March in each year and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) by September 30 of each year. If the City changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the City otherwise would be required to provide financial information and operating data as set forth above.

NOTICE OF CERTAIN EVENTS . . . The City shall notify the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, of any of the following events with respect to the Certificates: (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 Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Obligation calls, if material, and tender offers; (9) Defeasances; (10) Release, substitution, or sale of property securing repayment of the Certificates, 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 the assets of the City, other than in the ordinary course of business, the entry into 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 change in the name of the trustee, if material; (15) Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, 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 its agreement described above under "Annual Reports."

For these purposes, (a) any event described in the immediately preceding clause (12) 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 of business of the City, and (b) the City intends to words used in the immediately preceding clauses (15) and (16) to have the meanings ascribed to them in SEC Release No. 34-83885, dated August 20, 2018. The Certificate Ordinance defines "Financial Obligation" to mean a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of certain 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 Certificates 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 Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement 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, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates, in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Certificates, consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions 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 Bonds or Certificates, as applicable, in the primary offering of the Certificates. If the City so amends the agreement, it has agreed to 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 financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . Because of a paying agent's failure to correctly invoice a payment amount, the City did not timely pay a portion of the interest due on its outstanding obligations on February 15, 2020. The paying agent informed the City of additional interest that was owed on the February 15, 2020 payment on February 27, 2020, and the City immediately paid such amount on February 28, 2020. The City filed notice of such event on EMMA on March 3, 2020. Except for such event, 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 to the Rule.

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OTHER INFORMATION

RATINGS

The Certificates and certain of the presently outstanding tax supported debt of the City are rated "Aa2" by Moody's and "AA+" by S&P. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Certificates.

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 CERTIFICATES FOR SALE

The sale of the Certificates 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 Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated, or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates 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 Certificates 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 Certificates are legal investments for state banks, savings banks, trust companies with at least $2 million of capital, and savings and loan associations. For political subdivisions in Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas, Government Code, Chapter 2256, as amended) the Certificates 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 Certificates 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 Certificates for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Certificates for such purposes. The City has made no review of laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

LEGAL OPINIONS AND NO-LITIGATION CERTIFICATE

The City will furnish a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinions of the Attorney General of Texas approving the Initial Certificate and to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinions of Bond Counsel, to like effect and to the effect that the interest on the Certificates 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. The customary closing papers, including certificates to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Certificates will also be furnished. 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 describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Certificate Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates. The legal opinion will accompany the Certificates deposited with the DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry-Only System.

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

Hilltop Securities Inc., is employed as Municipal Advisor to the City in connection with the issuance of the Certificates. The Municipal Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. Hilltop Securities, 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 Certificates, 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 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 page 2 of the Official Statement at a price of par plus a net premium 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 of 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 sole responsibility of the Initial Purchaser of the Certificates.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Certificates, the City will furnish the Initial Purchaser of the Certificates a certificate, executed by an authorized representative of the City, acting in such person’s representative capacity, to the effect that to the best of such person’s knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in the Official Statement, and any addenda, supplement or amendment thereto, on the date of the Official Statement, on the date of sale of the Certificates, and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, the Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in the Official Statement are concerned, such statements and data have been obtained from sources which the City believes are reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since September 30, 2025, the date of the last audited financial statements of the City appearing in the Official Statement.

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 Certificate Ordinance will 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 Certificates by the Initial Purchasers of the Certificates.

MAYOR
City of North Richland Hills, Texas

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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LOCATION AND HISTORY . . . The City of North Richland Hills (the "City") is located in northeast Tarrant County, encompassing approximately 18.29 square miles and budgets for 592 full-time employees. 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 6 million.

The City was incorporated in 1953 under the general laws of the State of Texas and the current charter was approved by the voters in 1964 and was last amended in November 2025. The City is a home rule city and operates under the Council/Manager form of government. The Council is composed of a mayor and seven councilmembers elected at large. All City residents vote for all seven places. The members are elected for three-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 directors and the daily conduct of City affairs.

POPULATION . . . The City has grown steadily since the mid-1950's when it was a small bedroom community. The estimated population of the City has more than quadrupled since 1970.

Population history is as follows:

Year	Population	Source	Year	Population	Source
1970	16,514	(1)	2017	67,120	(2)
1980	30,592	(1)	2018	67,530	(2)
1990	45,895	(1)	2019	67,980	(2)
2000	56,500	(1)	2020	68,360	(1)
2010	63,343	(1)	2021	70,380	(2)
2011	63,490	(2)	2022	71,904	(2)
2012	63,780	(2)	2023	72,587	(2)
2013	64,240	(2)	2024	73,311	(2)
2014	65,690	(2)	2025	73,311	(3)
2015	66,300	(2)	2026	74,859	(3)
2016	66,530	(2)			

(1) U.S. Census Bureau.
(2) North Central Texas Council of Governments.
(3) Estimate of City staff.

The City has established itself as an innovative leader among Texas municipalities. A steadily growing economy, complete municipal services, and prime location deliver the high quality of living expected by the residential and business communities. With an estimated current population of 74,859, this more than quadruples the population of 1970. North Richland Hills is the fourth largest city in Tarrant County. The citizens of the City, with a median age of 41.3, enjoy the small town atmosphere while sharing the many amenities of the Fort Worth/Dallas Metroplex.

ECONOMICS . . . The City's location in the middle of the Fort Worth/Dallas Metroplex provides access to approximately seven and one-half million people - the fourth largest market in the United States. North Richland Hills' proximity to the Dallas/Fort Worth International Airport allows local businesses to capitalize on trade opportunities gained through the former North American Free Trade Agreement (NAFTA), now the United States-Mexico-Canada Agreement (USMCA) which went into effect July 1, 2020.

The economic base of the City is composed or approximately 17% retail and wholesale trade, 15% finance/insurance/real estate, 15% professional/technical, 15% construction and manufacturing, 11% food service, 10% health care, 2% government and 15% other.

The City's proximity to key transportation was further strengthened by TEX Rail, which is a 27-mile commuter rail line providing service between Downtown Fort Worth and Terminal B at DFW Airport. Service began January 5, 2019 including two separate stops in the City. The billion-dollar project is estimated to host 10,000 riders per day, with 3,000 departing from the two City stations. Over 300 acres have been rezoned to Transit Oriented Development (aka "TOD") around the stations to facilitate higher densit y, mixed used development and redevelopment.

In 2020, construction began on City Point, a $225 million mixed-use development that has plans for 60,000 square feet of commercial space, a hotel, 364 single-family homes and approximately 324 multi-family residences. The development will be completed in phases.

The City is primarily a single-family residential community made up of a diverse mix of essential business that are not reliant on discretionary spending. In sum, the City experienced:

- A 6% increase in FY 2024/25 taxable sales over FY 2023/24.
- Continued construction development, with over $102 million in commercial and residential permit values in FY2024-25, and an estimated $98 million projected for FY 2025-26.
- An estimated 75 single-family starts in FY 2025-26, with approximately 500 single-family lots currently in development.
- A stable local unemployment rate of 4% as of June 2026, matching Tarrant County and the DFW metroplex, and sitting slightly below the Texas and US rates of 4.3%.
- Welcomed 100 new businesses in 2025, with community on pace to match that growth in 2026.

The City contains a diverse mix of 1,200 brick and mortar businesses with 13 primary employers representing 5,000 full time jobs within the healthcare, aerospace and supply chain sectors.

MUNICIPAL SERVICES . . . With active involvement by the Mayor, a seven member City Council, and 14 citizen boards, commissions and committees, the City strives to provide proper and effective representation. A police force of 116 sworn police personnel helps keep the City's crime rate low. The City's Fire Department is an ISO Class 1 department that operates five professionally staffed fire stations that are fully equipped to handle most emergencies. The City's Fire Department operates its own mobile intensive care ambulance system, staffed with highly trained paramedics.

QUALITY OF LIFE . . . Two privately-owned and fully operational hospitals in the region offer City residents excellent health care. The City has a full-service central library with over 142,000 physical items in its collection, along with access to an additional 61,000 electronic items. The Library has a circulation reaching 550,000 annually.

With 802 acres of parkland comprising 34 parks, trails, and facilities, the City offers numerous recreation amenities including an extensive 30-mile trail system, numerous playgrounds, picnic pavilions, fishing ponds, natural areas, an off-leash dog park, football fields, softball and baseball fields, park tennis and pickleball courts, basketball courts and sand volleyball courts. Facilities include a multigenerational recreation/aquatic center, banquet facilities, senior center, a 17-acre outdoor family water park, a championship golf course and a 16 court tennis facility with a proshop. The Parks and Recreation Department provides recreational, cultural and life enriching activities that contribute to quality of life and sense of community for residents. An estimated three million visits are recorded each year for park facilities and programs. Families in the City are served by churches throughout the area representing many denominations.

EDUCATION . . . Education for the citizens of the City is provided primarily by the Birdville Independent School District (the "District") which encompasses an area of approximately 40 square miles. The District conducts programs for K-12 and is fully accredited by the Southern Association of Colleges and the Texas Education Agency and operates on a middle school structure, i.e. Pre-kindergarten-5, 6-8, 9-12.

Physical facilities include:

3 high schools	Coliseum	Transportation Complex
4 alternative high school	Administration Building	Computer Service Center
7 middle schools	2 Stadiums	Annex/materials Center
19 elementary schools		

Selected historical enrollment figures in the District are as follows:

Year	Enrollment	Year	Enrollment
2008	22,576	2017	23,767
2009	22,897	2018	23,607
2010	23,545	2019	23,518
2011	23,711	2020	23,576
2012	24,190	2021	22,736
2013	24,326	2022	22,371
2014	24,389	2023	22,637
2015	24,328	2024	22,219
2016	24,245	2025	22,269

Source: Birdville Independent School District.

In 2016 International Leadership of Texas, a public charter school, began conducting class in North Richland Hills in September 2016. Their campus, which serves grades K through 8, opened in January 2017.

Education beyond the high school level is readily available. The Northeast campus of Tarrant County College 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, the University of Dallas, the University of Texas at Dallas, and the University of Texas in Arlington.

TRANSPORTATION . . . The City has prime positioning for easy access to major local, regional, and national markets. Being just 7.5 miles from the Dallas/Fort Worth International Airport and 9 miles from Alliance Airport, the City is located in the hub of business activity and is an integral part of the Northeast Tarrant County Area.

The City is 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, one of which – St. Louis Southwestern - is located in the City.

MAJOR EMPLOYERS IN THE CITY

Employer	Product	Estimated Number of Employees
City of North Richland Hills	Municipal Government	889
Wal-Mart Supercenters	Retail Store	695
Birdville ISD	Independent School District	681
Medical City North Hills	Hospital/Medical Care	615
Health Markets HQ	Life/Health Insurance	452
Tarrant County College-NE Campus	Community College	397
Tyson Prepared Foods	Food Processing	380
XPO Logistics	Supply Chain Logistics Regional Office	260

Source: City Records.

BUILDING PERMIT INFORMATION

	Construction					
	Commercial		Residential			
Fiscal Year	Number of Units	Value	Number of Units	Value	Total Units	Total Value
2017	46	$ 53,484,467	233	$ 81,180,734	279	$ 134,665,201
2018	28	25,751,935	223	78,414,740	251	104,166,675
2019	20	58,166,662	211	70,298,392	231	128,465,054
2020	17	67,977,697	252	83,035,761	269	151,013,458
2021	18	47,229,733	307	106,507,102	325	153,736,835
2022	89	28,507,642	242	84,014,526	331	112,522,168
2023	100	45,816,721	114	40,579,620	214	86,396,341
2024	103	73,802,492	227	90,835,872	330	164,638,364
2025	109	55,339,848	168	47,287,329	277	102,627,177

Source: City Records.

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APPENDIX B

CITY OF NORTH RICHLAND HILLS, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2025

The information contained in this Appendix consists of excerpts from the City of North Richland Hills, Texas Annual Comprehensive Financial Report for the Fiscal 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 and Members of the City Council
City of North Richland Hills, Texas
North Richland Hills, 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 North Richland Hills, 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 fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional material misstatement when it exists. The risk of not detecting a material misstatement resulting from 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 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 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 the management's discussion and analysis, budgetary comparisons, 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining 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 auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and 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.

Forvis Mazars, LLP

Dallas, Texas
February 10, 2026

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

MD&A is designed to focus on the current year’s activities, resulting changes, and currently known facts, and should be read in conjunction with the City’s financial statements (beginning on page 17).

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the fiscal year ended September 30, 2025 by $447.4 million (net position).

- The City’s total net position increased by $17.0 million in fiscal year 2025 from the beginning net position of $430.5 million. Additional details of this change may be found beginning on page 19 (Statement of Activities).

- As of September 30, 2025, the City’s governmental funds reported combined fund balances of $121,879,665, which represents a decrease of $7.6 million in comparison to the prior fiscal year’s ending balance.

- Approximately 25.8% of total governmental fund balance, or $31,391,376, is available for appropriation at the City’s discretion (assigned and unassigned fund balance).

- The City’s objective regarding fund balance for the General Fund is to maintain a minimum unassigned fund balance to operate the City for a period of 120 days or 33% of the following year’s appropriated budgeted expenditures. This objective was met at year end.

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $28,363,528 or 44.6% of General Fund actual expenditures, including transfers out, for 2025. This unassigned balance represents 42.6% of the fiscal year 2026 adopted budget.

- The City’s total debt decreased by approximately $5.6 million during the fiscal year 2025. This is primarily due to the scheduled bond principal payments of $13.2 million and the issuance of $5.1 million in Tax and Waterworks ans Sewer System Certificates of Obligations (“CO’s”).

Overview of the Financial Statements

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

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

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

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

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

- *Governmental activities* - Most of the City's basic services are reported here, including the activities of public safety, culture and recreation, public works, and general government. Property taxes, sales taxes, and franchise fees finance most of these activities.

- *Business-type activities* – For this type of activity, the City charges a fee to customers to cover all or most of the cost of services provided including the recovery of costs of capital assets used in the delivery of such services. The City's water and sewer, golf course, and aquatic park activities are reported here.

The government-wide financial statements can be found starting on page 17 of the annual comprehensive financial report.

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

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

  The City maintains five major individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds. The General Fund, General Capital Projects Fund, General Debt Service Fund, Parks and Recreation Development Fund, and the Grants Fund are the major governmental funds of the City. Data from the other non-major governmental funds are combined into a single, aggregated presentation in the governmental statements. Financial statements for the governmental funds can be found starting on page 20 of this report.

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

  The City maintains three enterprise funds, which it uses to account for the provision of water and wastewater services, golf course operations, and water park activities. The Utility Fund and Aquatic Park are considered major funds. The Golf Fund is considered a non-major enterprise fund. Financial statements for the enterprise funds can be found starting on page 28 of the report.

Notes to the financial statements - The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 35 of this report.

Government-Wide Financial Analysis

The government-wide financial analysis highlights the information contained in the Statement of Net Position and Statement of Activities. The City's combined net position was $447,446,852 as of September 30, 2025. Analyzing the net position of governmental and business-type activities separately, governmental activities total net position was $337,539,429 and business-type activities total net position was $109,907,423. This analysis focuses on the net position and changes in program and general revenues and significant expenses of the City's governmental and business-type activities.

Statement of net position – The largest portion of the City's net position (79.2%) reflects its net investment in capital assets (e.g., land, buildings, machinery and equipment, leases, and subscription assets) less any related debt used to acquire those assets that is still outstanding. The City uses capital assets to provide services to citizens; consequently, capital assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these obligations. The following table presents the condensed government-wide statement of net position as of September 30, 2025 and 2024. Current and other assets include restricted deposit and investment balances.

Schedule of Assets, Liabilities, and Net Position
Amounts shown in thousands ($000's)
As of September 30, 2025 and 2024

	Governmental Activities		Business-Type Activities		Total	
	2025	**2024**	**2025**	**2024**	**2025**	**2024**
Current and other assets	$ 156,450	$ 166,460	$ 64,643	$ 64,311	$ 221,093	$ 230,770
Capital, lease and subscription assets, net	359,433	349,949	92,199	89,937	451,631	439,885
Total Assets	515,883	516,409	156,842	154,248	672,724	670,655
Total Deferred Outflows of Resources	12,223	18,507	1,620	3,519	13,843	22,026
Long-term liabilities	145,675	162,680	38,273	37,173	183,948	199,854
Other liabilities	26,114	30,768	8,683	10,572	34,797	41,340
Total Liabilities	171,789	193,448	46,956	47,745	218,745	241,194
Total Deferred Inflows of Resources	18,778	19,011	1,599	1,993	20,376	21,004
Net Position:						
Net Investments in capital assets	286,066	276,277	68,189	67,554	354,255	343,831
Restricted	25,104	25,715	4,238	6,114	29,343	31,829
Unrestricted	26,369	20,465	37,480	34,361	63,849	54,825
Total Net Position	$ 337,539	$ 322,457	$ 109,907	$ 108,029	$ 447,446	$ 430,485

Statement of activities - Governmental activities increased the City's net position by $15.1 million in fiscal year 2025, and business-type activities increased net position by $1.9 million. The following table presents the condensed government-wide statement of activities for the years ended September 30, 2025 and 2024.

Changes in Net Position
Amounts shown in thousands ($000's)
Years Ended September 30, 2025 and 2024

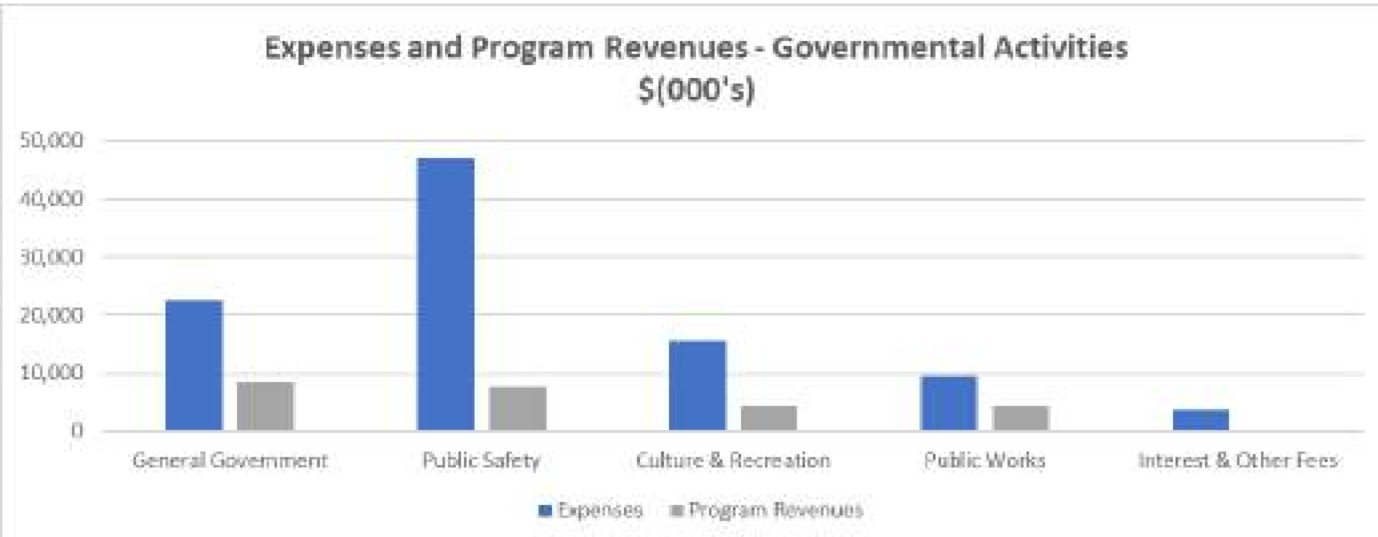
	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues						
Program revenues:						
Charges for services	$ 16,290	$ 14,347	$ 53,574	$ 53,872	$ 69,864	$ 68,219
Operating grants and contributions	8,097	9,454	33	87	8,130	9,541
Capital grants and contributions	120	3,895	-	-	120	3,895
General revenues:						
Property tax	41,247	39,174	-	-	41,247	39,174
Sales tax	29,656	27,974	-	-	29,656	27,974
Mixed beverage	154	152	-	-	154	152
Franchise taxes	3,826	3,822	-	-	3,826	3,822
Occupancy taxes	431	446	-	-	431	446
Grants not restricted to specific programs	2,334	2,007	-	-	2,334	2,007
Unrestricted investment earnings	6,833	10,502	1,637	2,200	8,470	12,702
Gain on sale of capital assets	190	326	1	4	191	330
Miscellaneous	877	440	142	309	1,019	749
Total Revenue	110,055	112,539	55,387	56,472	165,441	169,012
Expenses:						
General government	22,501	21,009	-	-	22,501	21,009
Public safety	47,017	46,547	-	-	47,017	46,547
Culture and recreation	15,543	15,200	-	-	15,543	15,200
Public works	9,607	9,526	-	-	9,607	9,526
Interest and other fees	3,744	5,390	-	-	3,744	5,390
Utility	-	-	41,186	41,411	41,186	41,411
Aquatic park	-	-	5,460	5,416	5,460	5,416
Golf course	-	-	3,421	3,470	3,421	3,470
Total Expenses	98,412	97,672	50,067	50,297	148,479	147,970
Increase (decrease) in net position before transfers	11,643	14,867	5,319	6,175	16,963	21,042
Transfers between governmental and business-type activities	3,439	4,717	(3,439)	(4,717)	-	-
Net increase (decrease) in net position	15,082	19,584	1,880	1,458	16,962	21,042
Net Position - Beginning of Year	322,457	302,873	108,028	106,570	430,485	409,443
Net Position - End of Year	$ 337,539	$ 322,457	$ 109,907	$ 108,028	$ 447,446	$ 430,485

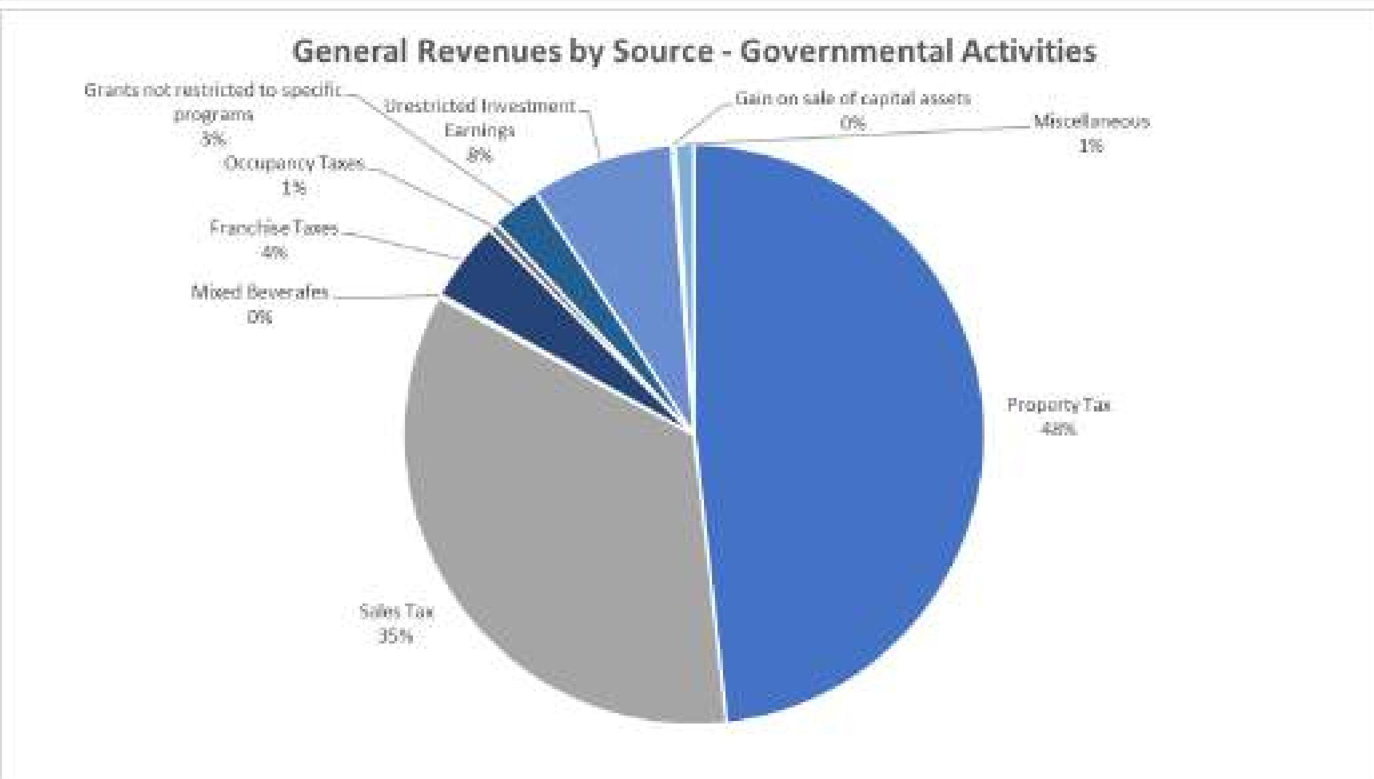
Governmental activities – In comparison to fiscal year 2024, overall assets for Governmental Activities decreased $526 thousand or (0.1)% in 2025. Capital, lease and subscription assets, net of depreciation/amortization, increased $9.5 million or 2.7% in 2025. This activity was related to capital improvement projects, specifically improvements and refurbishments to streets and roadways, drainage, sidewalks, and equipment replacements as well as park improvements. Further, refurbishments to the NRH Centre facilities were undertaken as were several technology initiatives. Outstanding debt liabilities decreased by $8.1 million or 7.31% in 2025. This decrease was due to the annual debt service payment for all other outstanding debt. Total liabilities also decreased due to $7.1 million decrease in net pension liability and $0.6 million decrease in net OPEB liability.

Governmental activities increased the City's net position by approximately $15.1 million in fiscal year 2025. The City had an increase in tax revenues of $3.7 million during 2025. Property taxes increased $2.1 million and sales tax increased by $1.7 million. The property tax rate remained the same at $0.489389. In fiscal year 2025 the City experienced significant growth in its taxable value base. This increase was the result of changes in existing values as well as additional values from new construction. Sales taxes increased 6.0% as a result of continued gains in online sales due in part to the increases in retail prices from inflation and a continuation of home delivery retail shopping.

Fluctuations in the market accounted for a $3.7 million decrease in investment earnings. Operating and Capital Grants and Contributions decreased approximately $5.1 million or 38% in fiscal year 2025, as a result of the City receiving developer contributed assets in prior year that did not recur in fiscal year 2025. This decrease was offset by an increase in eligible project expenditures under the North Texas Anti-Gang Center and other Public Safety program activities.

Governmental activities saw a total increase in expenses totaling approximately $0.7 million or approximately 0.8% above 2024 levels. Pension and OPEB expense decreased over $1.5 million from prior year due to better market performance during the measurement period. Refer to the fund level financial analysis section for further details.

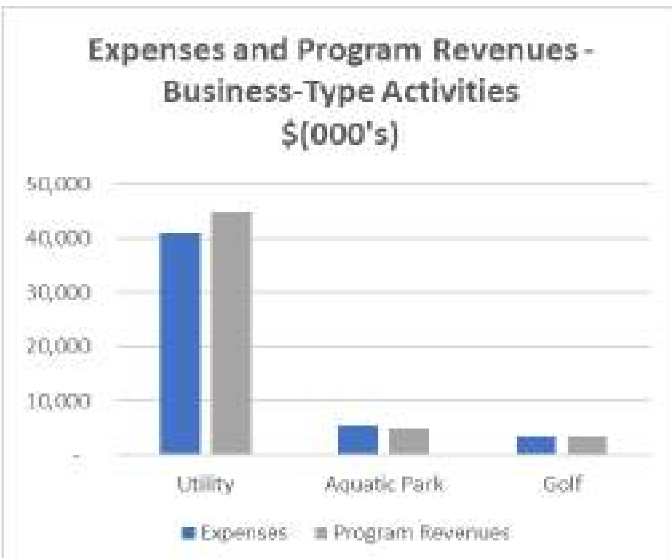


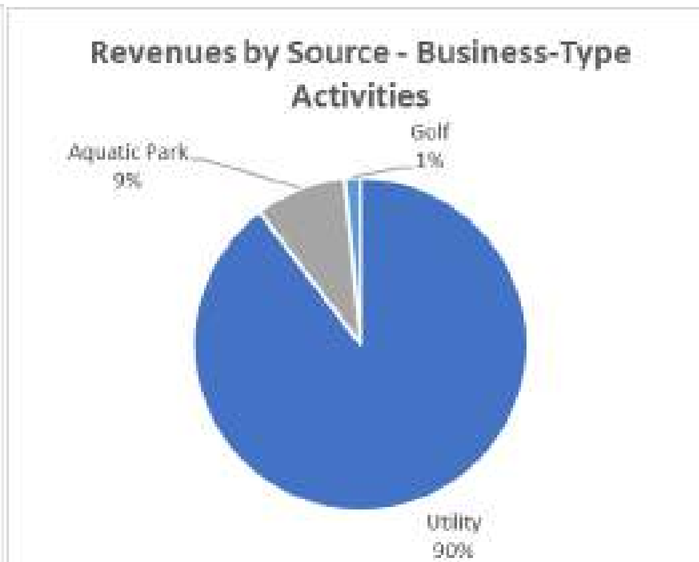


Business-type activities – Business-type activities resulted in an increase to the City's total net position of $1.9 million in 2025. Total net revenue for Business-type activities was approximately $5.3 million, with the Utility fund operations generating $5.6 million of that total. Aquatic park generated $0.5 million in net profit and Golf Course generated $0.09 million in net (loss). Transfers to other funds reduced the net revenue by $3.4 million.

Aquatic Park and Golf course operations are funded by consumers who patronize each facility. The City owned Golf Course, Iron Horse, is currently managed by KemperSports. Significant upgrades were made to the Golf Course clubhouse and pavilion. The Aquatic park celebrated its 31st year of operation in 2025 and saw attendance decrease in summer 2025 after a significant increase in 2024. Despite this decrease, the park experienced increased per-attendee spending during the summer season in 2025 though attendance at the park decreased by 2.48% over prior year levels, which is attributed to an increase in admission fees for the 2025 season.

The Utility Fund generally experienced increased consumption during 2025 due to weather patterns providing less rainfall compared to the prior year. Increases in the wholesale provider costs for water and sewer services continue to put pressure on the fund. The weather demonstrated how sensitive these business-type activities can be in regard to climate conditions.





Fund Level Financial Analysis

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

At September 30, 2025, the City's governmental funds reported combined fund balances of $121,879,665, a decrease of $7,582,693 in comparison with prior year. Unassigned fund balance of $28,363,528 is available for spending at the government's discretion. The remainder of the fund balance is either non-spendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form ($1,357,419), 2) legally required to be maintained intact or to be used for a particular purpose ($57,643,555), 3) committed for particular purposes ($31,487,315), or 4) assigned for particular purposes ($3,027,848).

The General Fund is the chief operating fund of the City. For fiscal year 2025, the General Fund unassigned fund balance was $28,363,528 – an increase of $2,391,100. Unassigned fund balance represents approximately 47.1% of total General Fund expenditures for 2025, while total fund balance represents 47.3%. The General Fund balance in total increased slightly due primarily to an increase in charges for services and fines, as well as a decrease in tax and license and permits revenue presented for the fund as compared to prior year. In conjunction, during 2025 the General Fund had higher transfers of funds for operating costs, offset by an increase in spending.

The General Capital Projects fund decreased governmental fund balance by approximately $9.0 million. Of the fund's $21.2 million expenditures, a significant portion can be attributed to improvements in the public street and roadways, drainage, sidewalks, and equipment replacements as well as park improvements.

General Debt Service fund decreased governmental fund balance by $58,946. The decrease is associated with decreased property tax revenues and transfers from other funds, offset by an increase in the retirement of debt through principal and interest payments for 2025.

Parks and Recreation Development Corporation decreased governmental fund balance by $1,587,800 which is primarily due to an increase in transfers to the Aquatic Park fund for capital projects.

The Grants Fund increased governmental fund balance by $280,148. This resulted in an ending fund balance of $3,436,945. The increase was due primarily to a decrease in eligible expenditures as several grant programs either completed in 2024 or were winding down in 2025.

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

General Fund Budgetary Highlights

Original budget compared to final budget. During the fiscal year, there were sufficient reasons to revise original estimated revenues and expenditures by a reduction of $98,027. Modifications were made to specific revenue projections, based on known activities and observed collection trends throughout the fiscal year. With mortgage interest rates trending downward, housing permits experienced a surge, with budgeted revenue from Licenses and Permits increasing by $652,234. Based on observed collection trends, estimated Taxes collections were decreased $1,141,868. Fine & Forfeitures were increased by $505,288 based on projections.

Final budget compared to actual results. Revenue sources saw positive variances in some operational categories with the planned appropriation of reserves not required. A net negative revenue variance of $812,180 in the tax revenues grouping and a net positive variance of $1,676,721 in the non-tax revenue groupings resulted from collections received above projections, even after further analysis and an upward revision to most categories. Within expenditures for the fiscal year, a positive variance of $1,540,422 was due to entity wide decline in spending.

Capital, Lease, and Subscription Asset and Debt Administration

Capital, lease and subscription assets – At the end of fiscal year 2025, the City had $451.6 million (net of accumulated depreciation/amortization) invested in a broad range of capital assets including, but not limited to, police and fire equipment, buildings, park facilities, roads, bridges, aquatic park facilities, golf course assets, lease assets, subscription assets and the water and sewer system. The following table provides capital asset balances net of accumulated depreciation/amortization for each major category for both governmental and business-type activities as of September 30, 2025 and 2024.

Capital, Lease and Subscription Assets
(net of Accumulated Depreciation/Amortization)
Amounts shown in thousands (000's)

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land and land improvements	$ 81,510	$ 80,960	$ 2,579	$ 2,579	$ 84,089	$ 83,539
Works of art	310	310	-	-	310	310
Buildings & improvements	75,985	80,030	1,815	1,906	77,800	81,936
Other improvements	144,671	139,892	5,970	6,124	150,640	146,017
Utility plant	-	-	53,227	56,776	53,227	56,776
Machinery and equipment	20,709	21,266	6,262	7,172	26,971	28,438
Lease equipment	-	26	522	611	522	637
Subscription assets	3,185	700	-	-	3,185	700
Assets held for sale	15	15	-	-	15	15
Construction in progress	33,049	26,751	21,824	14,769	54,872	41,519
Total Capital, Lease and Subscription Assets	$ 359,434	$ 349,950	$ 92,199	$ 89,937	$ 451,631	$ 439,887

This year's major additions included:

Description		Amount
Buildings and street improvements	$	22,992,232
Water / Sewer Replacement and Improvements		7,178,513
Computer, Machinery, and Equipment		3,249,437
Vehicles		1,533,074

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

The City currently has committed resources (displayed as Noncurrent Assets—cash and cash equivalents in the Statement of Net Position) totaling $68,300,279 for both the Governmental and Business-type activities. These resources will be used to purchase major equipment, construct new buildings, and add new infrastructure such as water and sewer lines and streets. More information on capital assets can be found in footnote III.C in the Footnotes to the financial statements.

Debt – At September 30, 2025 and 2024, the City had the following debt outstanding:

Outstanding Debt

Amounts shown in thousands (000's)

	Governmental Activities		Business-Type Activities		Total	
	2025	**2024**	**2025**	**2024**	**2025**	**2024**
General obligation bonds	$ 67,125	$ 73,415	$ 1,235	$ 1,630	$ 68,360	$ 75,045
Certificates of obligation	24,485	28,560	28,170	25,150	52,655	53,710
General obligation bonds - Private placement	115	175	40	60	155	235
Certificates of obligation - Private placement	-	-	635	695	635	695
Special assessment bonds	7,485	7,680	-	-	7,485	7,680
Lease liabilities	-	28	540	613	540	641
Subscription liabilities	3,232	662	-	-	3,232	662
Totals	$ 102,442	$ 110,520	$ 30,620	$ 28,148	$ 133,062	$ 138,668

The presently outstanding general obligation debt of the City is rated "Aa2" by Moody's and "AA+" by S&P. As a home rule city, the City is limited by Article XI, Section 5 of the State of Texas Constitution to a maximum tax rate for all purposes of $2.50 per $100 of valuation, though within that figure there is no legal limit upon the amount of taxes which can be levied for debt service. The City's Charter provides that general property taxes are limited to $1.50 per $100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation debt. For fiscal year 2025, the City's property tax rate is $0.489389 per $100 assessed valuation. The current ratio of tax-supported debt to assessed value of all taxable property is 1.20%. Additional detailed information on long-term debt activity is disclosed in the notes (III-E) to the financial statements.

Pensions and Retiree Health Care

Pensions and retiree health care continue to receive negative media attention as governments around the nation struggle to fund these commitments. The City is committed to providing programs in these areas that are fair to both employees and taxpayers and that can be sustained over the long term.

Effective for fiscal year 2015, Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, created specific reporting requirements for pensions that are different than that used for funding purposes. Both valuations are important as the reporting valuation provides a rigorous standard measure that can be used to compare the City's pension liabilities to other governments from around the nation. The funding valuation is important because the actuarial methods used include strategies for repaying any unfunded actuarial accrued liabilities. Combined with the City's history of making those contributions, it provides insights regarding the City's commitment to and the effectiveness of its funding strategy. Information contained in the financial statements themselves including the first schedule of Required Supplementary Information ("RSI"), Schedule of Changes in Net Pension Liability and Related Ratios, is based on the reporting valuation. The second schedule in the RSI, Schedule of Contributions, is based on the funding valuation. On a reporting basis, the City's financial statements reflect a Net Pension Liability as of September 30, 2025 of $25,043,475, which is 51.6% of the City's annual covered payroll of $48,513,821 for the 2024 calendar year.

Retiree health care's net OPEB liability has been calculated in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* to be $23,911,467 as of September 30, 2025, a decrease of $644,710 from the previous valuation.

Economic Factors and Next Year's Budgets and Rates

The two largest revenue sources for the General Fund are property tax revenues and sales tax receipts. In June 2019, the Texas state legislature passed Senate Bill 2 (SB-2) which limits the ability of local governments to increase property tax revenues above 3.5% without an affirmative vote of the citizens within the jurisdiction. For budget year 2025/2026, sales tax receipts are anticipated to be roughly 3.88% higher than the 2024/2025 actual. Property tax values are anticipated to continue rising due to steady new valuation growth.

The fiscal year 2026 budget was based on the property tax rate of $0.497841/$100. For fiscal year 2026, the estimated tax rate distribution amounts for maintenance & operations and interest & sinking (per $100 assessed value) for the City are as follows:

Tax Rate Distribution Schedule	Tax Rate	Tax Rate Distribution
General Fund - Maintenance & Operations	$ 0.346946	$ 29,256,442
Debt Service Fund - Interest & Sinking	0.150895	12,509,495
Total Distribution of tax proceeds	$ 0.497841	$ 41,765,937

By policy, the City maintains an unassigned General fund balance of 33% of budgeted expenditures. The use of available fund balance for one-time expenditures eliminates the financial impact of such purchases on future budgets.

Requests for Information

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

Basic Financial Statements

CITY OF NORTH RICHLAND HILLS, TEXAS

STATEMENT OF NET POSITION

September 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets:			
Cash and cash equivalents	$ 42,813,957	$ 9,674,975	$ 52,488,932
Investments	58,178,596	16,498,712	74,677,308
Receivables, net of allowances	12,633,212	9,240,269	21,873,481
Prepaids	1,283,715	76,651	1,360,366
Inventories, at cost	342,369	449,000	791,369
Interfund balances	500,000	(500,000)	-
Internal balances	(12,932,668)	12,932,668	-
Total Current Assets	102,819,181	48,372,275	151,191,456
Noncurrent Assets:			
Cash and cash equivalents	53,630,499	14,669,780	68,300,279
Investments	-	1,601,018	1,601,018
Capital assets not being depreciated	114,882,970	24,403,042	139,286,012
Capital, lease and subscription assets, net	244,550,616	67,795,812	312,346,428
Total Noncurrent Assets	413,064,085	108,469,652	521,533,737
Total Assets	515,883,266	156,841,927	672,725,193
Deferred Outflows of Resources			
Deferred loss on refunding	-	7,703	7,703
Deferred outflows - OPEB	2,785,527	295,068	3,080,595
Deferred outflows - Pension	9,437,378	1,317,039	10,754,417
Total Deferred Outflows of Resources	12,222,905	1,619,810	13,842,715
Liabilities			
Current Liabilities:			
Accounts payable and accrued liabilities	4,580,627	1,734,733	6,315,360
Deposits and other liabilities	2,932,011	57,673	2,989,684
Customer deposits	-	3,711,231	3,711,231
Unearned revenue	4,825,012	85,770	4,910,782
Retainage payable	628,606	191,015	819,621
Accrued interest payable	515,445	152,170	667,615
Due within one year: Bonds, leases, subscriptions, compensated absences	12,631,918	2,750,323	15,382,241
Total Current Liabilities	26,113,619	8,682,915	34,796,534
Noncurrent Liabilities:			
Due in more than one year:			
Intergovernmental payables	-	1,472,352	1,472,352
Net OPEB liability	21,621,179	2,290,288	23,911,467
Net pension liability	20,662,077	4,381,398	25,043,475
Bonds, leases, subscriptions, arbitrage, compensated absences, net	103,392,077	30,128,764	133,520,841
Total Noncurrent Liabilities	145,675,333	38,272,802	183,948,135
Total Liabilities	171,788,952	46,955,717	218,744,669
Deferred Inflows of Resources			
Deferred inflows - OPEB	13,571,801	1,437,631	15,009,432
Deferred inflows - Pension	3,985,496	160,966	4,146,462
Unavailable revenue - leases	1,220,493	-	1,220,493
Total Deferred Inflows of Resources	18,777,790	1,598,597	20,376,387
Net Position			
Net investment in capital assets	286,066,139	68,188,734	354,254,873
Restricted for:			
Municipal court technology & security	1,052,763	-	1,052,763
Franchise peg fees	1,029,661	-	1,029,661
Parks and recreation development	10,042,458	-	10,042,458
Crime control district	3,435,970	-	3,435,970
Debt service	2,739,680	-	2,739,680
Promotional & economic development	2,490,855	-	2,490,855
Public safety	4,312,960	-	4,312,960
Impact fees restricted for construction	-	4,238,308	4,238,308
Unrestricted	26,368,943	37,480,381	63,849,324
Total Net Position	$ 337,539,429	$ 109,907,423	$ 447,446,852

See notes to the financial statements.

CITY OF NORTH RICHLAND HILLS, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**
Primary Government							
Governmental Activities:							
General government	$ 22,501,408	$ 6,993,318	$ 1,312,585	$ 120,191	$ (14,075,314)	$ -	$ (14,075,314)
Public safety	47,016,612	2,066,899	5,480,978	-	(39,468,735)	-	(39,468,735)
Culture and recreation	15,542,862	4,012,377	219,579	-	(11,310,906)	-	(11,310,906)
Public works	9,606,639	3,217,263	1,083,946	-	(5,305,430)	-	(5,305,430)
Interest	3,743,626	-	-	-	(3,743,626)	-	(3,743,626)
Total Governmental Activities	98,411,147	16,289,857	8,097,088	120,191	(73,904,011)	-	(73,904,011)
Business-Type Activities:							
Utility	41,185,660	45,103,525	33,291	-	-	3,951,156	3,951,156
Aquatic park	5,460,448	4,962,173	-	-	-	(498,275)	(498,275)
Golf course	3,421,488	3,507,971	-	-	-	86,483	86,483
Total Business-Type Activities	50,067,596	53,573,669	33,291	-	-	3,539,364	3,539,364
Total Primary Government	$ 148,478,743	$ 69,863,526	$ 8,130,379	$ 120,191	(73,904,011)	3,539,364	(70,364,647)
General Revenues and Transfers:							
General Revenues:							
Taxes:							
Property					41,246,855	-	41,246,855
Sales					29,655,963	-	29,655,963
Mixed beverage					153,761	-	153,761
Franchise					3,825,837	-	3,825,837
Occupancy					430,548	-	430,548
Grants not restricted to specific programs					2,334,117	-	2,334,117
Net unrestricted investment earnings					6,832,537	1,637,306	8,469,843
Gain on sale of capital assets					190,750	405	191,155
Miscellaneous					877,130	140,972	1,018,102
Transfers					3,438,779	(3,438,779)	-
Total General Revenues and Transfers					88,986,277	(1,660,096)	87,326,181
Change in net position					15,082,266	1,879,268	16,961,534
Net Position - Beginning of Year					322,457,163	108,028,155	430,485,318
Net Position - End of Year					$ 337,539,429	$ 109,907,423	$ 447,446,852

See notes to the financial statements.

CITY OF NORTH RICHLAND HILLS, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2025

	General Fund	General Capital Projects	General Debt Service	Parks and Recreation Development
Assets				
Cash and cash equivalents	$ 12,159,045	$ -	$ -	$ 4,829,588
Investments	12,645,561	13,988,182	976,781	5,344,574
Receivables, net of allowances:				
Accounts	3,139,028	-	-	-
Property taxes	959,253	-	-	-
Other taxes receivable	2,585,635	-	-	1,236,730
Interest receivable	57,923	65,496	4,435	22,276
Special assessments receivable	-	132,657	-	-
Intergovernmental receivables	391,382	71,760	-	-
Lease receivables	1,274,974	-	-	-
Other receivables	283,959	-	-	42,699
Due from other funds	1,740,715	-	-	-
Inventories, at cost	80,178	-	-	10,898
Prepaid items	57,966	1,208,377	-	-
Assets limited to use:				
Cash and cash equivalents	-	48,806,248	606,661	712,161
Total Assets	$ 35,375,619	$ 64,272,720	$ 1,587,877	$ 12,198,926
Liabilities				
Accounts payable	$ 180,773	$ 1,819,349	$ -	$ 119,512
Retainage payable	-	628,606	-	-
Arbitrage payable	-	688,917	-	-
Accrued liabilities	483,086	-	-	108,963
Deposits and other liabilities	2,126,335	765,906	-	33,723
Unearned revenue	80,097	1,989,848	-	121,311
Total Liabilities	2,870,291	5,892,626	-	383,509
Deferred Inflows of Resources				
Unavailable revenue - ambulance fees	2,579,733	-	-	-
Unavailable revenue - property taxes	213,169	-	-	-
Unavailable revenue - assessments	-	132,657	-	-
Unavailable revenue - leases	1,210,754	-	-	-
Total Deferred Inflows of Resources	4,003,656	132,657	-	-
Fund Balance				
Nonspendable:				
Inventory	80,178	-	-	10,898
Prepaid items	57,966	1,208,377	-	-
Restricted:				
Municipal court technology & security	-	-	-	-
Franchise peg fees	-	-	-	-
Parks and recreation development	-	-	-	10,042,458
Crime control district	-	-	-	-
Debt service	-	-	1,587,877	-
Promotional & economic development	-	-	-	-
Public safety	-	-	-	-
Capital projects (bond funded)	-	32,483,317	-	-
Committed:				
Donations	-	-	-	-
Drainage Utility	-	-	-	-
Gas development	-	-	-	-
Capital projects	-	23,289,956	-	-
Assigned:				
Recreation centre	-	-	-	1,762,061
Capital projects	-	1,265,787	-	-
Unassigned	28,363,528	-	-	-
Total Fund Balance	28,501,672	58,247,437	1,587,877	11,815,417
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 35,375,619	$ 64,272,720	$ 1,587,877	$ 12,198,926

See notes to the financial statements.

CITY OF NORTH RICHLAND HILLS, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2025

	Grants Fund	Non-major Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 4,037,770	$ 9,133,508	$ 30,159,911
Investments	1,412,576	7,896,902	42,264,576
Receivables, net of allowances:			
Accounts	-	308,798	3,447,826
Property taxes	-	-	959,253
Other taxes receivable	-	1,353,162	5,175,527
Interest receivable	6,413	35,348	191,891
Special assessments receivable	-	-	132,657
Intergovernmental receivables	455,521	-	918,663
Lease receivables	-	-	1,274,974
Other receivables	-	16,447	343,105
Due from other funds	-	-	1,740,715
Inventories, at cost	-	-	91,076
Prepaid items	-	-	1,266,343
Assets limited to use:			
Cash and cash equivalents	-	4,482	50,129,552
Total Assets	$ 5,912,280	$ 18,748,647	$ 138,096,069
Liabilities			
Accounts payable	$ 77,151	$ 8,118	$ 2,204,903
Retainage payable	-	-	628,606
Arbitrage payable	-	-	688,917
Accrued liabilities	22,003	173,077	787,129
Deposits and other liabilities	-	19,560	2,945,524
Unearned revenue	2,376,181	257,575	4,825,012
Total Liabilities	2,475,335	458,330	12,080,091
Deferred Inflows of Resources			
Unavailable revenue - ambulance fees	-	-	2,579,733
Unavailable revenue - property taxes	-	-	213,169
Unavailable revenue - assessments	-	-	132,657
Unavailable revenue - leases	-	-	1,210,754
Total Deferred Inflows of Resources	-	-	4,136,313
Fund Balance			
Nonspendable:			
Inventory	-	-	91,076
Prepaid items	-	-	1,266,343
Restricted:			
Municipal court technology & security	-	1,052,763	1,052,763
Franchise peg fees	-	1,029,661	1,029,661
Parks and recreation development	-	-	10,042,458
Crime control district	-	3,435,970	3,435,970
Debt service	-	1,151,803	2,739,680
Promotional & economic development	-	2,490,855	2,490,855
Public safety	3,436,945	876,015	4,312,960
Capital projects (bond funded)	-	55,891	32,539,208
Committed:			
Donations	-	1,111,176	1,111,176
Drainage Utility	-	5,137,636	5,137,636
Gas development	-	1,948,547	1,948,547
Capital projects	-	-	23,289,956
Assigned:			
Recreation centre	-	-	1,762,061
Capital projects	-	-	1,265,787
Unassigned	-	-	28,363,528
Total Fund Balance	3,436,945	18,290,317	121,879,665
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 5,912,280	$ 18,748,647	$ 138,096,069

See notes to the financial statements.

CITY OF NORTH RICHLAND HILLS, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
September 30, 2025

Total Fund Balances - Governmental Funds	**$ 121,879,665**
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 of $15,783,003, which are allocated to governmental activities.	343,650,583
Accrued interest on governmental activities debt is not reported in the funds until paid, excluding internal service funds of $54,980.	(446,952)
Revenues earned but not available within sixty days of fiscal year-end are not recognized as revenue in the governmental funds financial statements.	2,925,559
The internal service funds are used by management to charge the cost of certain activities, such as building and vehicle support services, self insurance, and information technology services, 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.	25,304,035
Included in the items related to long-term liabilities is the recognition of the City's net pension liability. The net position related to pensions includes deferred outflows of resources in the amount of $9,437,378 deferred inflows of resources in the amount of $3,985,496, and the net pension liability of $20,662,077, excluding internal service funds of $2,351,036.	(12,859,159)
Included in the items related to long-term liabilities is the recognition of the City's net OPEB liability. The net position related to OPEB includes deferred outflows of resources in the amount of $2,785,527, deferred inflows of resources in the amount of $13,571,801, and the net OPEB liability of $21,621,179, excluding internal service funds of $2,535,502.	(29,871,951)
Compensated absences are not due and payable in the current period and therefore are not reported in the funds, excluding internal service funds of $370,197.	(5,023,389)
Long-term liabilities excluding compensated absences, pension or OPEB and the related deferred outflows and inflows of resources, are not due and payable in the current period and, therefore, are not reported in the funds. A summary of these items are as follows, excluding internal service funds:	
Due in one year	(10,677,020)
Due in more than one year	(97,341,942)
Total Net Position - Governmental Activities	**$ 337,539,429**

See notes to the financial statements.

CITY OF NORTH RICHLAND HILLS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2025

	General Fund	General Capital Projects	General Debt Service	Parks and Recreation Development
Revenues				
Taxes	$ 46,505,821	$ -	$ 13,090,527	$ 7,414,294
Licenses and permits	2,075,037	-	-	-
Charges for services	3,251,082	22,126	-	3,857,653
Gas utility leases and royalties	-	-	-	-
Fines	1,894,075	-	-	-
Contributions	18,524	-	-	-
Special assessments	-	-	-	-
Investment income	1,227,564	2,728,027	133,573	441,427
Intergovernmental	3,104,452	1,083,946	-	-
Forfeitures	-	-	-	-
Miscellaneous	639,141	95,000	-	12,282
Total Revenues	58,715,696	3,929,099	13,224,100	11,725,656
Expenditures				
General government	14,830,572	-	-	-
Public safety	36,500,276	-	-	-
Culture and recreation	4,095,601	-	-	7,814,660
Public works	3,340,298	-	-	-
Capital Outlay	1,435,287	20,503,033	-	-
Debt service:				
Principal retirement	66,799	-	10,425,000	2,101
Interest and fiscal charges	94	688,917	3,680,151	7
Total Expenditures	60,268,927	21,191,950	14,105,151	7,816,768
Excess (deficiency) of revenues over expenditures	(1,553,231)	(17,262,851)	(881,051)	3,908,888
Other Financing Sources (Uses)				
Subscriptions issued	1,429,759	-	-	-
Proceeds from sale of assets	42,464	-	-	201
Insurance recoveries	7,718	-	-	-
Transfers in	5,747,702	8,240,758	822,105	-
Transfers out	(3,271,712)	-	-	(5,496,889)
Total Other Financing Sources (Uses)	3,955,931	8,240,758	822,105	(5,496,688)
Net change in fund balances	2,402,700	(9,022,093)	(58,946)	(1,587,800)
Fund Balances - Beginning of Year	26,098,972	67,269,530	1,646,823	13,403,217
Fund Balances - End of Year	$ 28,501,672	$ 58,247,437	$ 1,587,877	$ 11,815,417

See notes to the financial statements.

CITY OF NORTH RICHLAND HILLS, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended September 30, 2025

	Grants Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues			
Taxes	$ -	$ 8,244,068	$ 75,254,710
Licenses and permits	-	-	2,075,037
Charges for services	-	1,742,271	8,873,132
Gas utility leases and royalties	-	398,455	398,455
Fines	-	175,563	2,069,638
Contributions	-	300,492	319,016
Special assessments	-	745,934	745,934
Investment income	252,852	732,537	5,515,980
Intergovernmental	5,367,419	654,971	10,210,788
Forfeitures	-	67,254	67,254
Miscellaneous	-	98,202	844,625
Total Revenues	5,620,271	13,159,747	106,374,569
Expenditures			
General government	431,614	1,589,974	16,852,160
Public safety	2,843,608	7,812,985	47,156,869
Culture and recreation	7,158	333,353	12,250,772
Public works	-	482,854	3,823,152
Capital Outlay	1,752,116	875,339	24,565,775
Debt service:			
Principal retirement	-	498,679	10,992,579
Interest and fiscal charges	-	525,216	4,894,385
Total Expenditures	5,034,496	12,118,400	120,535,692
Excess (deficiency) of revenues over expenditures	585,775	1,041,347	(14,161,123)
Other Financing Sources (Uses)			
Subscriptions issued	-	-	1,429,759
Proceeds from sale of assets	-	-	42,665
Insurance recoveries	-	-	7,718
Transfers in	438,245	347,015	15,595,825
Transfers out	(743,872)	(985,064)	(10,497,537)
Total Other Financing Sources (Uses)	(305,627)	(638,049)	6,578,430
Net change in fund balances	280,148	403,298	(7,582,693)
Fund Balances - Beginning of Year	3,156,797	17,887,019	129,462,358
Fund Balances - End of Year	$ 3,436,945	$ 18,290,317	$ 121,879,665

See notes to the financial statements.

CITY OF NORTH RICHLAND HILLS, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2025

Net Change in Fund Balances - Governmental Funds	**$ (7,582,693)**
Amounts reported for governmental activities in the statement of activities are different because:	
Change in revenues not considered available in the governmental funds.	1,346,303
This amount is the amount of governmental activities capital asset additions for the current period, $27,895,846 less $3,295,359 of additions allocated from the internal service funds.	24,565,775
Depreciation/amortization on capital, lease, and subscription assets is reported in the Statement of Activities but does not require the use of current financial resources. Therefore, depreciation/amortization is not reported as expenditures in the governmental funds. This amount excludes $2,899,070 of depreciation/amortization in the internal service funds.	(15,484,542)
The net effect of various transactions involving capital assets (i.e. sales and contributions) is to increase net position. This amount excludes $118,943 of gain on disposal of assets in the internal service funds.	29,142
Governmental funds report the effect of losses on refundings when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities.	(55,380)
The issuance of long-term debt (e.g. bonds, leases. subscriptions, etc) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, 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. This amount is the net effect of these differences in the treatment of long-term debt and related items, and excludes issuance of subscription liabilities and repayment of principal on lease and subscription liabilities that are reflected in the internal service funds.	
Issuance of subscriptions, excluding internal service funds of $1,977,495	(1,429,759)
Repayment of principal on long-term debt	10,620,000
Repayment of principal on leases, excluding internal service funds of $2,259	25,962
Repayment of principal on subscriptions, excluding internal service funds of $490,613	346,617
Amortization of:	
Premium on issuance of long-term debt	663,983
Current year change in accrued interest payable does not require the use of current financial resources; and therefore is not reported as an expenditure in the governmental funds, excluding internal service funds of $45,011.	48,627
Arbitrage due in connection with unspent bond proceeds in governmental activities is not due and payable and therefore is not reported as expenditures in governmental funds. This is the change in the amount of arbitrage liability that is not due and payable within one year.	709,078
Current year changes in certain long-term liabilities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Net Pension liability and related deferred outflows and inflows of resources, excluding internal service funds of $151,131	(826,631)
Net OPEB liability and related deferred outflows and inflows of resources, excluding internal service funds of $201,873	2,378,349
Compensated absences liability, excluding internal service funds of $9,733	(544,347)
The internal service fund is used by management to charge the costs of certain activities, such as facilities and construction services, fleet services, self insurance, and information technology, to individual funds. The change in net position of the internal service funds attributed to governmental activities is to increase net position.	271,782
Change in Net Position of Governmental Activities	$ 15,082,266

CITY OF NORTH RICHLAND HILLS, TEXAS

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

September 30, 2025

	Enterprise Funds				Governmental Activities
	Utility	Aquatic Park	Nonmajor Golf	Total Enterprise	Internal Service Funds
Assets					
Current Assets:					
Cash and cash equivalents	$ 9,154,764	$ -	$ 520,211	$ 9,674,975	$ 12,654,046
Investments	15,049,944	1,411,199	37,569	16,498,712	15,914,020
Accounts receivable, net of allowances:					
Billed	5,095,238	-	-	5,095,238	-
Unbilled	3,577,528	-	-	3,577,528	-
Other	313,402	66,958	110,151	490,511	117,066
Interest receivable	68,327	8,494	171	76,992	72,250
Prepaid items	5,857	-	70,794	76,651	17,372
Inventories, at cost	289,647	55,845	103,508	449,000	251,293
Total Current Assets	33,554,707	1,542,496	842,404	35,939,607	29,026,047
Noncurrent Assets:					
Restricted cash and cash equivalents	13,881,267	716,160	72,353	14,669,780	3,500,947
Restricted investments	-	1,601,018	-	1,601,018	-
Interfund loan receivable	-	-	-	-	500,000
Capital, lease and subscription assets - net:					
Land	75,366	745,771	1,758,000	2,579,137	-
Buildings and improvements	9,665	2,465,964	802,762	3,278,391	225,340
Other improvements	-	977,380	11,983,759	12,961,139	2,722,336
Utility plant in service	152,328,015	-	-	152,328,015	-
Machinery and equipment	3,040,066	23,973,918	2,662,769	29,676,753	21,291,602
Leased equipment	61,709	-	634,404	696,113	-
Subscription assets	-	-	-	-	2,730,462
Construction in progress	14,155,906	7,667,999	-	21,823,905	2,046,084
Accumulated depreciation/amortization	(102,528,734)	(19,691,416)	(8,924,449)	(131,144,599)	(13,232,821)
Total capital, lease and subscription assets - net	67,141,993	16,139,616	8,917,245	92,198,854	15,783,003
Total Noncurrent Assets	81,023,260	18,456,794	8,989,598	108,469,652	19,783,950
Total Assets	114,577,967	19,999,290	9,832,002	144,409,259	48,809,997
Deferred Outflows of Resources					
Deferred loss on refunding	7,703	-	-	7,703	-
Deferred outflows - OPEB	250,617	44,451	-	295,068	217,936
Deferred outflows - Pension	1,168,277	148,762	-	1,317,039	960,028
Total Deferred Outflows of Resources	1,426,597	193,213	-	1,619,810	1,177,964

See notes to the financial statements.

CITY OF NORTH RICHLAND HILLS, TEXAS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
September 30, 2025

	Enterprise Funds				Governmental Activities
	Utility	Aquatic Park	Nonmajor Golf	Total Enterprise	Internal Service Funds
Liabilities					
Current Liabilities:					
Accounts payable and accrued expenses	$ 1,537,145	$ 127,641	$ 260,962	$ 1,925,748	$ 484,490
Due to other funds	-	1,740,715	-	1,740,715	-
Deposits and other liabilities	57,067	606	-	57,673	1,096,145
Customer deposits	3,711,231	-	-	3,711,231	-
Compensated absences	43,478	13,647	-	57,125	46,030
Unearned revenue	-	-	85,770	85,770	-
Accrued interest payable	98,544	43,506	10,120	152,170	54,980
Intergovernmental payables	1,472,352	-	-	1,472,352	-
Bonds payable	1,650,000	675,000	215,000	2,540,000	-
Lease liabilities	11,745	-	133,012	144,757	-
Subscription liabilities	-	-	-	-	581,866
Arbitrage payable	8,441	-	-	8,441	-
Total Current Liabilities	8,590,003	2,601,115	704,864	11,895,982	2,263,511
Noncurrent Liabilities:					
Bonds payable	18,990,380	7,568,264	2,428,518	28,987,162	-
Lease liabilities	40,270	-	354,828	395,098	-
Subscription liabilities	-	-	-	-	1,348,624
Arbitrage payable	352,872	-	-	352,872	-
Compensated absences	299,060	94,572	-	393,632	324,167
Interfund loan payable	-	500,000	-	500,000	-
Net OPEB liability	1,945,277	345,011	-	2,290,288	1,691,603
Net pension liability	3,886,511	494,887	-	4,381,398	3,193,731
Total Noncurrent Liabilities	25,514,370	9,002,734	2,783,346	37,300,450	6,558,125
Total Liabilities	34,104,373	11,603,849	3,488,210	49,196,432	8,821,636
Deferred Inflows of Resources					
Deferred inflows - OPEB	1,221,066	216,565	-	1,437,631	1,061,835
Deferred inflows - Pension	142,785	18,181	-	160,966	117,333
Deferred inflows - Leases	-	-	-	-	9,739
Total Deferred Inflows of Resources	1,363,851	234,746	-	1,598,597	1,188,907
Net Position					
Net investment in capital assets	52,905,477	9,497,370	5,785,887	68,188,734	13,624,838
Impact fees restricted for construction	4,238,308	-	-	4,238,308	-
Unrestricted net position (deficit)	23,392,555	(1,143,462)	557,905	22,806,998	26,352,580
Total Net Position	$ 80,536,340	$ 8,353,908	$ 6,343,792	$ 95,234,040	$ 39,977,418

Reconciliation to business-type activities:	
Some amounts reported for business-type activities in the Statement of Net Position are different because certain internal balances are included with business-type activities.	14,673,383
Net Position of business-type activities	$ 109,907,423

See notes to the financial statements.

CITY OF NORTH RICHLAND HILLS, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
For the Year Ended September 30, 2025

	Enterprise Funds				Governmental Activities
	Utility	Aquatic Park	Nonmajor Golf	Total Enterprise	Internal Service Funds
Operating Revenues					
Charges for services:					
Water and sewer service	$ 43,352,484	$ -	$ -	$ 43,352,484	$ -
Service charges	1,128,134	-	-	1,128,134	-
Inspection fees	111,369	-	-	111,369	-
Golf course fees and charges	-	-	3,468,299	3,468,299	-
Aquatic park admissions and services	-	4,909,930	-	4,909,930	-
Risk management	-	-	-	-	17,647,469
Facilities and fleet management	-	-	-	-	7,682,393
Information systems management	-	-	-	-	5,431,008
Miscellaneous revenues	144,845	25,846	-	170,691	877,628
Total Operating Revenues	44,736,832	4,935,776	3,468,299	53,140,907	31,638,498
Operating Expenses					
Claims	-	-	-	-	14,040,037
Contractual services	7,634,679	1,349,385	-	8,984,064	4,364,287
Water purchases	11,474,649	-	-	11,474,649	-
Wastewater treatment services	9,750,137	-	-	9,750,137	-
Personnel services	6,358,060	2,220,711	-	8,578,771	4,479,071
Golf course sales and service	-	-	2,994,357	2,994,357	-
Repairs and maintenance	972,133	183,959	-	1,156,092	4,470,995
Supplies	289,561	401,868	22,052	713,481	-
Depreciation/amortization	3,986,133	970,976	314,091	5,271,200	2,899,070
Total Operating Expenses	40,465,352	5,126,899	3,330,500	48,922,751	30,253,460
Operating income (loss)	4,271,480	(191,123)	137,799	4,218,156	1,385,038
Nonoperating Revenues (Expenses)					
Investment income	1,475,269	134,873	27,164	1,637,306	1,316,557
Interest expense	(720,308)	(181,682)	(90,988)	(992,978)	(322,946)
Bond issuance costs	-	(151,867)	-	(151,867)	-
Other income	11,120	339	-	11,459	29,265
Gain on disposal of assets	-	405	-	405	118,943
Total Nonoperating Revenues (Expenses)	766,081	(197,932)	(63,824)	504,325	1,141,819
Income (loss) before capital contributions and transfers	5,037,561	(389,055)	73,975	4,722,481	2,526,857
Transfers in	-	1,810,000	-	1,810,000	428,841
Transfers out	(5,248,779)	-	-	(5,248,779)	(2,088,350)
Total Capital Contributions and Transfers - Net	(5,248,779)	1,810,000	-	(3,438,779)	(1,659,509)
Change in net position	(211,218)	1,420,945	73,975	1,283,702	867,348
Net Position - Beginning of Year	80,747,558	6,932,963	6,269,817	93,950,338	39,110,070
Net Position - End of Year	$ 80,536,340	$ 8,353,908	$ 6,343,792	$ 95,234,040	$ 39,977,418

Reconciliation to business-type activities:	
Change in net position of enterprise funds	$ 1,283,702
Some amounts reported for business-type activities in the Statement of Net Position are different because certain internal balances are included with business-type activities.	595,566
Change in net position of business-type activities	$ 1,879,268

See notes to the financial statements.

CITY OF NORTH RICHLAND HILLS, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended September 30, 2025

	Enterprise Funds				Governmental Activities
	Utility	**Aquatic Park**	**Nonmajor Golf**	**Total Enterprise**	**Internal Services**
Cash flows from operating activities:					
Receipts from customers	$ 41,660,937	$ 4,931,053	$ 3,391,454	$ 49,983,444	$ -
Receipts from (payments for) interfund services provided	(6,030,382)	(263,038)	-	(6,293,420)	31,777,234
Payments to suppliers	(24,768,657)	(1,591,655)	(2,960,988)	(29,321,300)	(25,338,034)
Payments to employees	(6,488,871)	(2,288,985)	-	(8,777,856)	(4,520,079)
Net cash provided by operating activities	4,373,027	787,375	430,466	5,590,868	1,919,121
Cash flows from noncapital financing activities:					
Transfers from other funds	-	1,810,000	-	1,810,000	428,841
Transfers to other funds	(5,248,779)	-	-	(5,248,779)	(2,088,350)
Other noncapital financing receipts	11,120	339	-	11,459	29,265
Net cash provided by (used for) noncapital financing activities	(5,237,659)	1,810,339	-	(3,427,320)	(1,630,244)
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(3,657,154)	(4,172,271)	-	(7,829,425)	(1,076,401)
Proceeds from capital debt	-	5,105,000	-	5,105,000	-
Principal paid on capital debt, leases, and subscriptions	(1,695,317)	(663,683)	(335,748)	(2,694,748)	(490,613)
Interest paid on capital debt, leases, and subscriptions	(823,032)	(1,870)	(93,721)	(918,623)	(272,278)
Proceeds from sale of capital assets	-	12,455	25,302	37,757	127,943
Net cash provided by (used for) capital and related financing activities	(6,175,503)	279,631	(404,167)	(6,300,039)	(1,711,349)
Cash flows from investing activities:					
Sale (purchase) of investments, net	1,186,237	(3,012,218)	(1,473)	(1,827,454)	170,558
Interest and dividends received	1,475,269	134,873	27,164	1,637,306	1,316,557
Net cash provided by (used for) investing activities	2,661,506	(2,877,345)	25,691	(190,148)	1,487,115
Net increase (decrease) in cash and cash equivalents	(4,378,629)	-	51,990	(4,326,639)	64,643
Cash and cash equivalents, beginning of year	27,414,660	716,160	540,574	28,671,394	16,090,350
Cash and cash equivalents, end of year	23,036,031	716,160	592,564	24,344,755	16,154,993
Reconciliation of Cash and Cash Equivalents to Statement of Net Position - Proprietary Funds					
Cash and cash equivalents - current	9,154,764	-	520,211	9,674,975	12,654,046
Cash and cash equivalents - noncurrent	13,881,267	716,160	72,353	14,669,780	3,500,947
Total cash and cash equivalents	23,036,031	716,160	592,564	24,344,755	16,154,993
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	4,271,480	(191,123)	137,799	4,218,156	1,385,038
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation/amortization expense	3,986,133	970,976	314,091	5,271,200	2,899,070
(Increase) decrease in accounts receivable	(2,323,864)	(4,723)	(76,845)	(2,405,432)	138,736
(Increase) decrease in prepaid items	462	(3,563)	(9,432)	(12,533)	37,408
(Increase) decrease in inventories	181,719	-	-	181,719	123,805
(Increase) decrease in deferred outflows of resources - pension	1,591,282	202,625		1,793,907	1,307,633
(Increase) decrease in deferred outflows of resources - OPEB	89,573	15,885		105,458	77,892
Increase (decrease) in accounts payable	(967,911)	47,843	38,664	(881,404)	(2,612,241)
Increase (decrease) in customer deposits	(752,031)	-	-	(752,031)	-
Increase (decrease) in compensated absences	12,799	(14,278)	-	(1,479)	9,733
Increase (decrease) in unearned revenues	-	-	26,189	26,189	-
Increase (decrease) in intergovernmental payables	12,470	-	-	12,470	-
Increase (decrease) in deferred inflows of resources - pension	(68,511)	(8,725)	-	(77,236)	(56,300)
Increase (decrease) in deferred inflows of resources - OPEB	(269,270)	(47,758)	-	(317,028)	(234,155)
Increase (decrease) in deferred inflows of resources - leases	-	-	-	-	(11,686)
Increase (decrease) in net pension/OPEB liabilities	(1,391,304)	(179,784)	-	(1,571,088)	(1,145,812)
Total Adjustments	101,547	978,498	292,667	1,372,712	534,083
Net cash provided by operating activities	$ 4,373,027	$ 787,375	$ 430,466	$ 5,590,868	$ 1,919,121
Schedule of non-cash capital and related financing activites:					
Purchase of capital assets on account and changes in retainage payable	$ 18,158	$ -	$ -	$ 18,158	$ 227,675
Leases and subscriptions issued	61,709	-	-	61,709	1,977,495

See notes to the financial statements.

CITY OF NORTH RICHLAND HILLS, TEXAS
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUND
September 30, 2025

	(As of December 31, 2024)
	OPEB Trust
Assets	
Investments, at fair value:	
Investments in master trust	$ 3,261,949
Total Assets	$ 3,261,949
Net Position	
Restricted for other post employment benefits	$ 3,261,949
Total Net Position	$ 3,261,949

See notes to the financial statements.

CITY OF NORTH RICHLAND HILLS, TEXAS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUND

For the Year Ended September 30, 2025

	(For the Year Ended December 31, 2024) OPEB Trust
Additions	
Contributions:	
Employer	$ 1,709,475
Net investment income	291,569
Total Additions	2,001,044
Deductions	
Benefit payments	1,709,475
Administrative expenses	18,454
Total Deductions	1,727,929
Change in net position	273,115
Net Position - Beginning	2,988,834
Net Position - Ending	$ 3,261,949

See notes to the financial statements.

Note I - Summary of Significant Accounting Policies

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

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

A. Reporting Entity

As required by GAAP, these basic financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. The blended component units, although legally separate entities, are, in substance, part of the primary government’s operations. As such, data from these units is combined with data of the primary government. Discretely presented component units are entities that are legally separate from the City, but for which the City is financially accountable or whose relationships with the City are such that exclusion would be misleading or incomplete. The City currently has no discretely presented component units.

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

Tax Increment Refinancing Zone #3 (“TIF #3”) was created to provide funding for public improvements that would benefit the participants in and citizens of TIF #3. TIF #3 is primarily located in the immediate area around the NRH City Hall municipal complex and designed to promote development on one of the last few undeveloped areas in the City. Included in this development is a Public Improvement District ("PID") through which the underground and surface infrastructure was constructed. The TIF # 3 board consists of representatives from the City Council and Tarrant County.

The TIF #3 meets the criteria for blending as the City Council and TIF #3 Board is substantially the same. In addition, although another entity is involved in the TIF, the primary financial benefit or burden relationship is between the City and the TIF #3, and management of the City has day-to-day operational responsibility for the activities of the TIF #3.

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

The Parks and Recreation Facilities Development Fund, a capital projects fund, accounts for the accumulation and use of resources to build and improve City parks and recreation facilities as well as economic development projects. Financing is provided from taxes (primarily sales) and charges for services.

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

The City reports the following proprietary funds:

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

The Aquatic Park Fund accounts for the operation of NRH$_2$O, the City's public water park. All activities necessary to operate the park are accounted for in the fund, including, but not limited to, administration, park operations, park maintenance, and financing and debt service.

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and of the internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation/amortization on capital, lease and subscription assets. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance

Deposits and investments

Cash and cash equivalents consist of bank deposits and investments with an original maturity of three months or less, including investment pools. Substantially all operating deposits and investments are maintained in pooled deposits and investment accounts. Interest income relating to pooled deposits and investments is allocated monthly to the participating individual funds based on each fund's pro-rata share of total pooled deposits and investments.

Investments consist of (1) investments in public fund investment pools, (2) short-term investments that mature in 12 months or less from the time of purchase and (3) investments that mature in greater than 12 months from the time of purchase. Other than investment pools, most of the City's investments are long-term (i.e., at the time of purchase, the maturity equals or exceeds one year) and, accordingly, the investments are carried at fair value. The government's investment pools operate in accordance with state laws and regulations. Investments in external 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.

Legal provisions generally permit the City to invest in certificates of deposit, repurchase agreements, public funds investment pools, direct obligations of the United States of America or its subdivisions, and state and local government securities. During the year ended September 30, 2025, the City did not own any types of securities other than those permitted by statute.

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

Receivables and payables

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

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

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

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

Property taxes are limited by the Texas Constitution to $2.50 per $100 of assessed valuation and by City Charter to $1.50 per $100 assessed valuation. The combined tax rate to finance general governmental service and debt service for the year ended September 30, 2025 was $0.489389 per $100 of assessed valuation.

Lease Receivable

The City is a lessor for noncancellable leases related to cellular 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.

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 for leases.

- 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.

Inventories and prepaid items

In accordance with the consumption method of accounting, both inventories and prepaid items of governmental funds are recorded as expenditures when consumed rather than when purchased.

All inventories are valued at cost using the first-in/first-out (“FIFO”) method. Inventories are offset by a fund balance reserve account in applicable governmental funds to indicate the inventory values are not available for appropriation and are not expendable financial resources.

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

Restricted assets

Certain resources set aside for the repayment of outstanding City debt are classified as restricted assets on the governmental activities balance sheet or proprietary funds statement of net position because their use is limited. The “debt service reserve funds” are used to segregate resources accumulated for outstanding debt. The “construction funds” account includes, but is not limited to, unspent bond proceeds that are limited as to use for financing the acquisition or construction of capital assets.

Restricted assets defined as noncurrent assets in the Utility Fund are customer deposits, impact fees and unspent bond proceeds. The limitation for customer deposits is contractually supported. The City is not allowed to use the funds unless it is to refund back to the customer for good standing account history or that they default upon the terms of the agreement. Impact fees are a restriction imposed by the City’s governing body for the purpose of collection of funds from developers for specific utility infrastructure improvement projects. Unspent bond proceeds are limited as to use for financing the acquisition or construction of capital assets. State of Texas Statutes grant this authority to the City Council which upon their approval is valid for a five-year period. Every five years, the impact fee plan expires and a new program must be developed and submitted to Council for approval.

The Aquatic Park Fund contains restricted assets for unspent bond proceeds and future insuance claims. Unspent bond proceeds are limited as to use for financing the acquisition or construction of capital assets. Future claims are funds set aside and obligated for risk payables that could arise in future fiscal periods at the park. Funds will be accumulated until needed to cover these costs of excessive claims or until management has determined sufficient funds have been accumulated to cover future claims.

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

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

The Self-Insurance (Internal Service) Fund contains assets to be used for future insurance claims. Funds will be accumulated until needed to cover these costs of excessive claims or until management has determined sufficient funds have been accumulated to cover future claims. Future claims of the Self-Insurance Internal Service Fund are funds set aside and obligated for medical, dental, prescription, or other risk payables that could arise in future fiscal periods. This fund has a very proactive approach to plan for future claims and ensure that funding is available to pay should the need occur.

Assets limited to use

Certain assets are restricted by various legal and contractual obligations. Certain proceeds of bonds, certain resources set aside for the repayment or bonds, grant funds, donations, and other resources, are classified as noncurrent assets or assets limited to use on the statement of net position/balance sheet because their use is limited by applicable bond covenants or contractual agreements.

The Parks and Recreation Development Fund contains assets restricted for specific activities and projects.

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

Capital assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Asset Category	Useful Life	Capitalization Threshold
Land	N/A	$ -
Buildings and improvements	30 years	100,000
Other improvements	30 years	100,000
Water, sewer system and other infrastructure	33 years	100,000
Furniture and fixtures, & certain machinery and equipment	10 years	5,000
Firetrucks and ambulances	20 years	5,000
Other machinery and equipment including vehicles	3-12 years *	5,000

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

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. The City recognizes lease assets with an initial, individual value of $5,000 or more.

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 straightline basis over the shorter of the SBITA term or the useful life of the underlying IT asset. The City recognizes subscription assets with an initial, individual value of $5,000 or more.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and therefore 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 amortized over the shorter of the life of the refunded or refunding debt.

- Pension and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

- Changes in actuarial assumptions and other inputs included in determining the OPEB liability – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

- Differences between expected and actual experience for the City's pension plan – These effects on the pension liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

- Difference in projected and actual earnings on OPEB assets – This difference is deferred and amortized over a closed five-year period.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

- Differences between expected and actual experience for the City's OPEB plan – These effects on the OPEB liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan (active employees and inactive employees).

- Changes in actuarial assumptions and other inputs included in determining the pension and OPEB liability – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

- Difference in projected and actual earnings on pension assets – This difference is 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.

- Unavailable revenue – This arises only under a modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, ambulance fees and assessments.

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. Employees who are eligible to utilize their accrued vacation but who have not completed their probationary period are not eligible to be paid for unused vacation at the time of separation. No reimbursement is made for unused accumulated sick leave upon termination of employment, except upon retirement. Upon retirement, an employee may convert up to six weeks of accrued sick leave to vacation. 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 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, including converted sick leave, that is expected to be liquidated within one year, is reported as a short-term liability. The remainder of the liability is reflected as long-term.

Unearned revenue

Governmental funds report a liability, unearned revenue, in connection with resources that have been received, but not yet earned, which consists primarily of grant dollars received in advance of incurring eligible expenditures. The Golf fund reports a liability, unearned revenue, in connection with resources that have been received, but not yet earned, which consists primarily of advance payments, gift certificates, store credit and deposits.

Long-term obligations

In the government-wide financial statements and proprietary funds financial statements, long- term debt and other long- term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts and gains/losses on bond refunding transactions are deferred and amortized over the life of the related debt. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are expensed as incurred.

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

Lease Liability

The City is a lessee for noncancellable leases of vehicles, equipment, and other machinery. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

At the commencement of a lease, the City initially 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.

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.

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.

Subscription Liability

The City contracts for noncancellable subscriptions of information technology software. The City recognizes a subscription liability and an intangible subscription asset (subscription asset) in the government-wide financial statements.

At the commencement of a subscription, the City measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made.

The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs.

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

- The City uses the interest rate charged by the subscription-based information technology arrangement (SBITA) vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.

- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

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

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

Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its fiduciary net position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's 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.

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.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources of governmental and business-type activities and proprietary funds. The government-wide and proprietary fund financials utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets – This amount consists of capital, lease and subscription assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt, that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted Net Position – This amount is restricted by external parties such as creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This amount is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

Fund balance

Fund balances are reported within one of the fund balance categories listed below:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

- Assigned: Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council has, by resolution, authorized the City Manager to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover the gap between estimated revenue and appropriations in the subsequent year's budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

Committed Fund Balance Policy

Fund balances are committed by the City Council under specific ordinances which were adopted to restrict the utilization of special revenue sources. Once the ordinances are adopted, the limitation imposed remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

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

Assigned Fund Balance Policy

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

- Capital projects are proceeds assigned by management through budget appropriations to fund special capital projects not funded through bond proceeds.
- Recreation Centre assignment is net operations for the program for future infrastructure maintenance and operational needs.

Fund Balance Flow Assumptions

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

Minimum Fund Balance

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

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 effect 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.

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.

Future Financial Reporting Requirements

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	*Financial Reporting Model Improvements*	September 30, 2026
104	*Disclosure of Certain Capital Assets*	September 30, 2026
105	*Subsequent Events*	September 30, 2027

Note II - Detailed Notes on all Funds

A. Deposits and investments

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

The investment policy of the City is governed by State statute and a Council adopted City Investment Policy. Major controls stipulated in the Investment Policy include: depository limitations require Federal Deposit Insurance Corporation ("FDIC") insurance or full 100 percent collateralization; depositories are limited to Texas banking institutions; all collateral for repurchase agreements and deposits held by independent third party trustees; all settlement is delivery versus payment; all authorized investments are defined; and diversification guidelines are set as are maximum maturity and maximum weighted average maturity. State statutes require all time and demand deposits to be fully insured or collateralized. At September 30, 2025, the bank balances of the City's demand deposits were $9,248,729. Accounts with a balance under $250,000 in either an interest-bearing account or non-interest-bearing account are covered by FDIC deposit insurance. The total cash held in demand deposits has been collateralized and meets the statutes' requirements.

As of September 30, 2025, the City's cash and investment pool portfolio are held by the City's custodian in the City's name under written agreements. The City's custodian is JP Morgan Chase. The City's cash and investment portfolio, excluding the fiduciary fund, held the following cash, cash equivalents, and investments as of September 30, 2025:

Cash on hand (petty cash, cashier tills)	$	87,646
Demand Deposit Accounts		9,093,796
Investment Pools		85,534,247
Federal Agency Commercial Mortgage-Backed Securities		1,347,060
Federal Agency Bond/Note		36,793,978
Municipal Bond/Note		18,882,776
Commercial Paper		3,676,146
U.S. Treasury Bond/Note		41,651,888
Total Deposits and Investments	$	197,067,537

Legal provisions generally permit the City to invest in certificates of deposit, repurchase agreements, public funds investment pools, direct obligations of the United States of America or its subdivisions, and state and local government securities. Because the City is responsible for the investment portfolio of its blended component units, the City's investment practices and policies disclosed herein apply equally to its component units. During the year ended September 30, 2025, the City did not own any types of securities other than those permitted by statute.

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

Investments - Weighted average maturity ("WAM") of the portfolio by investment type categories reflected in the following table is stated in days. Additional information about the rating agency or the significance of the ratings provided may be obtained from the agency's website. As of September 30, 2025, the City, excluding the fiduciary fund, held the following investments:

Investment Type	WAM	S&P Rating	Moody Rating		Carrying Value
Investment Pools:					
TexPool	1	AAAm	N/A	$	21,022,219
TexasRange	1	AAAm	N/A		5,865,553
TexasConnect	1	AAAm	N/A		58,646,475
Federal Agency Commercial Mortgage-Backed Securities	961	AAA, AA+	Aaa		1,347,060
		AA, AA-	Aa1, Aa2, Aa3		
Federal Agency Bond/Note	961	AA+	Aaa		36,793,978
Municipal Bond/Note	690	A+, AA, AA+	Aa3		18,882,776
Commercial Paper	70	AAA	Aaa		3,676,146
U.S. Treasury Bond/Note	1,398	AA+	Aaa		41,651,888
Total Portfolio	363			$	187,886,095

In accordance with GASB Statement No. 72, *"Fair Value Measurement and Application,"* the City records investments at fair value. However, for participating interest-earning investments contracts with maturities of one year or less at time of purchase, the City reports these investments at amortized cost.

Interest Rate Risk

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

Custodial credit risk is the risk that a government will not be able to recover (a) deposits if the depository financial institution fails or (b) the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the investment or deposit transaction fails. To minimize such risk, the City requires collateralization of most deposits in excess of coverage, utilizes the delivery vs. payment method for investment purchases, and contracts with a third-party safekeeping agent. In conjunction with JP Morgan Chase, the City has exercised the option to accept a Federal Home Loan Bank Irrevocable Standby Letter of Credit, as the first $8,900,000 of collateral.

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

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

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

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

Credit Risk

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

Other Post-Employment Benefit ("OPEB") Trust Fund Investments

The City has contracted with Public Agency Retirement Services ("PARS") for trust administration and Union Bank serves as the trustee for all investments of the OPEB Trust Fund. The OPEB Plan does not have a formal policy for custodial credit risk. As of September 30, 2025 all investments are registered in the name of the OPEB Plan's custodian established through a master trust custodial agreement. The OPEB Trust Fund investments are carried at fair value of $3,261,949 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 a mutual fund that is invested in equity, money market and fixed income mutual funds. The investment strategy of the OPEB Trust Fund is to provide current income with capital appreciation. The credit rating and weighted average maturity is not available for the pool.

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

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

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

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

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.

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 hierarchy in which the fair value measurements fall at September 30, 2025:

	Fair Value	Level 1	Level 2	Level 3
Investments measured at fair value:				
Federal Agency Bond/Note	$ 36,793,978	$ 5,438,368	$ 31,355,610	$ -
Federal Agency Commercial Mortgage-Backed Securities	1,347,060	-	1,347,060	-
Municipal Bond/Note	18,882,776	-	18,882,776	-
Commercial Paper	3,676,146	828,578	2,847,568	-
U.S. Treasury Bond/Note	41,651,888	15,265,638	26,386,250	-
Investment in OPEB Trust	3,261,949	-	-	3,261,949
Total investments measured at fair value	$ 105,613,797	$ 21,532,584	$ 80,819,264	$ 3,261,949
Investments measured at amortized cost - TexasRange	5,865,553			
Investments measured at amortized cost - TexPool	21,022,219			
Investments measured at amortized cost - TexasConnect	58,646,475			
Total investments	$ 191,148,044			

Certain investments that are measured using amortized cost have not been classified in the fair value hierarchy.

Investments in State Investment Pools

During the year, the City invested in multiple public investment pools, including TexPool, TexasRange, and TexasConnect. TexasRange, TexPool and TexasConnect are measured at amortized cost. 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.

B. Receivables

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

	General Fund	General Capital Projects	General Debt Service	Parks and Recreation Development	Grants Fund	Non-major Governmental Funds	Total Governmental Funds
Accounts	$ 3,934,998	$ -	$ -	$ -	$ -	$ 314,406	$ 4,249,404
Property taxes	1,610,887	-	-	-	-	-	1,610,887
Other taxes	2,585,635	-	-	1,236,730	-	1,353,162	5,175,527
Interest	57,923	65,496	4,435	22,276	6,413	35,348	191,891
Special assessments	-	132,657	-	-	-	-	132,657
Intergovernmental	391,382	71,760	-	-	455,521	-	918,663
Leases	1,274,974	-	-	-	-	-	1,274,974
Other	283,959	-	-	42,699	-	16,447	343,105
Total	10,139,758	269,913	4,435	1,301,705	461,934	1,719,363	13,897,108
Allowance	(1,447,604)	-	-	-	-	(5,608)	(1,453,212)
Total (net of allowance)	$ 8,692,154	$ 269,913	$ 4,435	$ 1,301,705	$ 461,934	$ 1,713,755	$ 12,443,896

	Utility	Aquatic Park	Golf	Total Enterprise Funds	Internal Service
Accounts	$ 9,214,796	$ 66,958	$ 110,151	$ 9,391,905	$ 117,066
Interest	68,327	8,494	171	76,992	72,250
Leases	-	-	-	-	-
Total	9,283,123	75,452	110,322	9,468,897	189,316
Allowance	(228,628)	-	-	(228,628)	-
Total (net of allowance)	$ 9,054,495	$ 75,452	$ 110,322	$ 9,240,269	$ 189,316

Lease Receivable

The City leases a portion of its property to various cell phone companies and businesses who use the space to conduct their operations, the terms of which expire 2026 through 2039. 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 $102,492 in lease revenue and $28,264 in interest revenue during the current fiscal year related to these leases. As of September 30, 2025, the City's receivable for lease payments was $1,274,974. Also, the City has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease terms. As of September 30, 2025, the balance of the deferred inflow of resources was $1,220,493.

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,	Principal	Interest	Total Receipts
2026	$ 78,086	$ 26,460	$ 104,546
2027	88,917	24,711	113,628
2028	93,915	22,740	116,655
2029	95,940	20,715	116,655
2030	98,009	18,646	116,655
2031-2035	475,433	62,433	537,866
2036-2039	344,674	12,837	357,511
Total	$ 1,274,974	$ 188,542	$ 1,463,516

Unearned Revenue

At the end of the current fiscal year, the various components of unearned revenue were as follows:

	Unearned Revenue
General Fund:	
Grant proceeds	$ 10,621
Escrow deposits	17,993
Advanced proceeds	51,483
Total General Fund	80,097
Parks and Recreation Development:	
Centre and event deposits for future services	121,311
Capital Projects Fund:	
Grant proceeds	1,989,848
Grants Fund:	
Grant proceeds	2,376,181
Nonmajor Governmental Funds:	
Grant proceeds	249,813
Miscellaneous	7,762
Total Nonmajor Governmental Funds	257,575
Nonmajor Enterprise Funds:	
Advanced Payments, Gift Certificates, Store Credit	85,770
Total Unearned Revenue	$ 4,910,782

C. Capital, Lease and Subscription Assets

Capital, lease and subscription asset activity for the primary government for the year ended September 30, 2025, was as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated/amortized:					
Land	$ 80,960,171	$ 549,426	$ -	$ -	$ 81,509,597
Works of art	310,208	-	-	-	310,208
Assets held for sale	14,612	-	-	-	14,612
Construction in progress	26,750,535	22,400,764	-	(16,102,746)	33,048,553
Total capital assets, not being depreciated/amortized:	108,035,526	22,950,190	-	(16,102,746)	114,882,970
Capital, lease and subscription assets, being depreciated/amortized:					
Buildings	131,048,884	425,503	-	46,120	131,520,507
Other improvements	290,072,560	131,253	-	11,717,831	301,921,644
Machinery and equipment	52,462,919	945,500	(700,092)	4,338,795	57,047,122
Lease equipment	142,523	-	(142,523)	-	-
Subscription assets	990,199	3,408,688	-	-	4,398,887
Total capital, lease and subscription asset, being depreciated/amortized:	474,717,085	4,910,944	(842,615)	16,102,746	494,888,160
Less accumulated depreciation/amortization for:					
Buildings	(51,018,798)	(4,516,012)	-	-	(55,534,810)
Other improvements	(150,180,067)	(7,070,602)	-	-	(157,250,669)
Machinery and equipment	(31,197,166)	(5,847,577)	706,443	-	(36,338,300)
Lease equipment	(116,886)	(25,637)	142,523	-	-
Subscription assets	(289,981)	(923,784)	-	-	(1,213,765)
Total accumulated depreciation/amortization	(232,802,898)	(18,383,612)	848,966	-	(250,337,544)
Total capital, lease and subscription assets being depreciated/amortized, net	241,914,187	(13,472,668)	6,351	16,102,746	244,550,616
Governmental Activities - Net	$ 349,949,713	$ 9,477,522	$ 6,351	$ -	$ 359,433,586

Business-type Activities:	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated/amortized:					
Land	$ 2,579,137	$ -	$ -	$ -	$ 2,579,137
Construction in progress	14,768,590	7,157,497	(36,106)	(66,076)	21,823,905
Total capital assets, not being depreciated/amortized:	17,347,727	7,157,497	(36,106)	(66,076)	24,403,042
Capital and lease assets, being depreciated/amortized:					
Buildings	3,278,391	-	-	-	3,278,391
Utility plant	152,264,797	21,016	-	42,202	152,328,015
Other improvements	12,961,140	-	(1)	-	12,961,139
Machinery and equipment	29,323,616	366,614	(37,351)	23,874	29,676,753
Lease equipment	634,404	61,709	-	-	696,113
Total capital and lease asset, being depreciated/amortized:	198,462,348	449,339	(37,352)	66,076	198,940,411
Less accumulated depreciation/amortization for:					
Buildings	(1,373,555)	(89,411)	-	-	(1,462,966)
Utility plant	(95,488,337)	(3,612,699)	-	-	(99,101,036)
Other improvements	(6,836,856)	(154,760)	-	-	(6,991,616)
Machinery and equipment	(22,151,155)	(1,263,271)	-	-	(23,414,426)
Lease equipment	(23,496)	(151,059)	-	-	(174,555)
Total accumulated depreciation/amortization	(125,873,399)	(5,271,200)	-	-	(131,144,599)
Total capital and lease assets being depreciated/amortized, net	72,588,949	(4,821,861)	(37,352)	66,076	67,795,812
Business-type Activities - Net	$ 89,936,676	$ 2,335,636	$ (73,458)	$ -	$ 92,198,854

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

Governmental Activities:		**Depreciation/ Amortization Expense**
General government	$	5,593,045
Public safety		915,924
Culture and recreation		3,095,966
Public works		5,879,607
Facilities and construction		671,829
Fleet services		1,014,640
Self insurance		248
Information systems		1,212,353
Total Governmental Activities	$	18,383,612

Business-type Activities:		**Depreciation/ Amortization Expense**
Utility	$	3,986,133
Aquatic park		970,976
Golf course		314,091
Total Business-type Activities	$	5,271,200

Construction Commitments

The City has active construction projects as of September 30, 2025. The projects include street construction, widening, and streetscaping, as well as construction of drainage facilities, parks and park improvements, and municipal facilities. At year-end the City's commitments with contractors were as follows:

		Project Authorization		**Stored and Completed to Date**		**Remaining Commitment**
Streets, drainage, public safety, park improvements, municipal facilities, equipment, and utility improvements	$	178,737,965	$	24,844,939	$	153,893,026

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year-end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

		Encumbrances
General Fund	$	107,818
General Capital Projects		7,928,402
Parks and Recreation Development		55,184
Grants		1,428,377
Nonmajor Governmental Funds		53,474
Utility		414,524
Aquatic		636,754
Golf		9,603
Internal Service Funds		1,707,685
Total	$	12,341,821

D. Interfund Receivables, Payables, and Transfers

Current Interfund Balances. At September 30, 2025, the City had current interfund balances as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Aquatic Park (Enterprise Fund)	$ 1,740,715

Interfund balances for the funds are created by short-term deficiencies in cash position in the individual fund. It is anticipated that the balances will be repaid in one year or less.

Long-term Interfund Balances. In fiscal year 2018, the City approved a long-term interfund loan to be paid in future years payable from the Aquatic Park to the Self-Insurance fund. The original amount of the loan was $500,000 and the amount outstanding as of September 30, 2025 was $500,000.

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

	Transfers in:							
	General Fund	General Capital Projects	General Debt Service	Grants	Non-major Governmental	Aquatic Park	Internal Service Funds	Total
Transfers out:								
Governmental:								
General Fund	$ -	$ 2,640,000	$ -	$ 302,754	$ 89,914	$ -	$ 239,044	$ 3,271,712
Parks and Recreation						-		
Development	469,207	2,611,319	421,005	-	185,358	1,810,000	-	5,496,889
Grants Fund	729,075	-	-	-	-	-	14,797	743,872
Non-major Governmental	-	593,030	184,800	135,491	71,743	-	-	985,064
Subtotal governmental funds	1,198,282	5,844,349	605,805	438,245	347,015	1,810,000	253,841	10,497,537
Proprietary:								
Utility	4,549,420	524,359	-	-	-	-	175,000	5,248,779
Subtotal enterprise funds	4,549,420	524,359	-	-	-	-	175,000	5,248,779
Internal service funds	-	1,872,050	216,300	-	-	-	-	2,088,350
Total	$ 5,747,702	$ 8,240,758	$ 822,105	$ 438,245	$ 347,015	$ 1,810,000	$ 428,841	$ 17,834,666

Transfers are used to move resources between funds to provide sufficient resources to perform the expected services and functions for the year.

During fiscal year 2025, the City of North Richland Hills made one-time transfers. These transfers included:

a. General Fund received a total of $5,747,702 from other funds. Parks and Recreation Development fund transferred $469,207 for indirect costs and to cover its portion of a sales tax based economic development incentive. Grants fund transferred $729,075 to cover eligible costs incurred by the General Fund. Utility fund transferred $4,549,420 for payment of administrative fees, payment in lieu of tax and franchise fees.

a. General Capital Projects fund received $2,640,000 from the General Fund for street and sidewalk maintenance, drainage, information services projects, neighborhood reinvestments and facility construction projects. Parks and Recreation Development fund transferred $2,611,319 for capital projects associated with the Parks system. Utility fund transferred $524,359, Drainage Utility fund (Non-major Governmental fund) transferred $125,000, $14,639 was transferred from the Donations fund (Non-major Governmental fund), $177,886 was transferred from the PEG Access Fee fund (Non-major Governmental fund) and $275,505 was transferred from the Traffic Safety fund (Non-major Governmental fund) for capital projects. Internal service funds transferred $1,872,050 for capital projects.

b. General Debt Service fund received transfers from self-supporting debt repayment sources. Parks and Recreation Development fund and non-major governmental funds transferred $421,005 and $184,000, respectively. Internal service funds transferred $216,300 for debt repayments during the year.

c. Grants fund received $302,754 from the General Fund and $135,791 from Crime Control District fund (Non-major Governmental fund) for local required funding for grants.
d. Non-major Governmental funds received $89,914 from the General Fund to cover costs of the Court Special Revenue fund and Special Investigations fund, $185,358 from the Parks and Recreation Development fund for economic development projects and $71,743 between the PID Debt Service and PID Capital Projects Funds.
e. Aquatic Park fund received $1,810,000 from the Parks and Recreation Development fund for capital projects and improvements at the NRH20 water park.
f. Information Technology internal service fund received $239,044 transferred from the General Fund and $175,000 transferred from the Utility fund to help offset non-capital project related costs above normal operations. In addition, the Fleet Services internal service fund received $14,797 from the Grants fund to reimburse the Fleet Services fund for vehicles purchased with grant funds.

E. Long-term debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital assets such as streets, drainage structures, and municipal facilities, as well as for the purpose of refunding a portion of its outstanding debt.

General obligation bonds currently outstanding are as follows:

Purpose	Interest Rates	Principal Amount
Governmental activities	1.75 - 5.25%	$ 67,125,000
Business-type activities	2.29 - 5.00%	1,235,000
		$ 68,360,000

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

Year Ending	Governmental Activities		Business-type Activities	
September 30,	Principal	Interest	Principal	Interest
2026	$ 6,280,000	$ 2,360,294	$ 385,000	$ 43,238
2027	6,100,000	2,134,721	330,000	29,300
2028	6,085,000	1,895,855	295,000	15,675
2029	5,880,000	1,659,646	210,000	5,025
2030	5,600,000	1,434,191	15,000	375
2031-2035	20,075,000	4,507,816	-	-
2036-2040	12,505,000	1,927,934	-	-
2041-2044	4,600,000	214,094	-	-
	$ 67,125,000	$ 16,134,551	$ 1,235,000	$ 93,613

Private placement general obligation bonds currently outstanding are as follows:

Purpose	Interest Rates	Principal Amount
Governmental activities	2.290%	$ 115,000
Business-type activities	2.290%	40,000
		$ 155,000

Annual debt service requirements to maturity for private placement general obligation bonds are as follows:

Year Ending September 30,	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest
2026	$ 60,000	$ 1,947	$ 20,000	$ 687
2027	55,000	630	20,000	229
	$ 115,000	$ 2,577	$ 40,000	$ 916

Certificates of Obligation

The City also issues certificates of obligation ("CO's") to finance the acquisition and construction of capital assets including certain capital improvement projects, municipal facilities, and machinery and equipment. The bonds are generally issued as 20-year serial bonds with equal amounts of principal maturing each year.

Certificates of Obligation currently outstanding are as follows:

Purpose	Interest Rates	Principal Amount
Governmental activities	2.00 - 5.00%	$ 24,485,000
Business-type activities	1.57 - 5.00%	28,170,000
		$ 52,655,000

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

Year Ending September 30,	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest
2026	$ 3,725,000	$ 950,233	$ 2,075,000	$ 1,088,157
2027	3,435,000	797,380	2,075,000	1,002,617
2028	2,725,000	660,380	2,075,000	915,233
2029	2,295,000	547,530	2,075,000	829,699
2030	2,135,000	451,454	2,070,000	749,170
2031-2035	8,645,000	973,951	9,040,000	2,612,350
2036-2040	1,525,000	67,081	6,600,000	1,027,963
2041-2045	-	-	2,160,000	130,019
	$ 24,485,000	$ 4,448,009	$ 28,170,000	$ 8,355,208

Private placement certificates of obligation currently outstanding are as follows:

Purpose	Interest Rates	Principal Amount
Governmental activities	N/A	$ -
Business-type activities	1.57%	635,000
		$ 635,000

Annual debt service requirements to maturity for private placement certificates of obligation bonds are as follows:

Year Ending	Governmental Activities		Business-type Activities	
September 30,	Principal	Interest	Principal	Interest
2026	$ -	$ -	$ 60,000	$ 9,499
2027	-	-	60,000	8,557
2028	-	-	60,000	7,615
2029	-	-	60,000	6,673
2030	-	-	60,000	5,731
2031-2035	-	-	280,000	15,151
2036-2039	-	-	55,000	432
	$ -	$ -	$ 635,000	$ 53,658

Special Assessment Bonds – City Point Improvement District (TIF #3)

The City has issued Special Assessment Revenue Bonds, Series 2019 (City Point Public Improvement District Improvement Zone A Project) in the amount of $2,615,000 and Special Assessment Revenue Bonds, Series 2019 (City Point Public Improvement District Improvement Zone B Project) in the amount of $8,965,000. The City Point Public Improvement District (the "District" was created for the purpose of undertaking and financing certain public improvements within the district as authorized by the PID Act and approved by the City Council. The City will pay the project costs for the improvement within Zone A and Zone B from proceeds of the corresponding bonds.

Special assessment bonds currently outstanding are as follows:

Purpose	Interest Rates	Principal Amount
Governmental activities	4.50 - 5.63%	$ 7,485,000

Annual debt service requirements to maturity for special assessment bonds are as follows:

Year Ending	Governmental Activities	
September 30,	Principal	Interest
2026	$ 205,000	$ 400,719
2027	215,000	390,369
2028	230,000	379,513
2029	240,000	367,906
2030	245,000	355,755
2031-2035	1,450,000	1,568,463
2036-2040	1,935,000	1,125,231
2041-2045	1,285,000	665,963
2046-2050	1,680,000	281,113
	$ 7,485,000	$ 5,535,032

Lease Liabilities

The City leases property and equipment from various third parties to conduct its operations, the terms of which expire 2029 through 2030. 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 $539,855 for business-type activities. Incremental borrowing rates of 0.9160 percent to 7.9900 percent were used to measure lease liabilities. The value of the right-to-use assets as of the end of the current fiscal year was $696,113 for business-type activities and had accumulated amortization of $174,555 for business-type activities.

Purpose	Interest Rates	Principal Amount
Governmental activities	N/A	$ -
Business-type activities	0.9160% - 7.9900%	539,855
		$ 539,855

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

Year Ending	Governmental Activities		Business-type Activities	
September 30,	Principal	Interest	Principal	Interest
2026	$ -	$ -	$ 144,757	$ 35,349
2027	-	-	156,081	24,025
2028	-	-	168,326	11,780
2029	-	-	67,477	1,167
2030	-	-	3,214	13
	$ -	$ -	$ 539,855	$ 72,334

Subscription Liabilities

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.

As of September 30, 2025, the value of the subscription liabilities was $3,231,791. An incremental borrowing rate of 3.1440 percent to 4.5000 percent was used to measure subscription liabilities. The value of the right-to-use subscription assets as of September 30, 2025, was $4,398,887 and had accumulated amortization of $1,213,765 .

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

Year Ending	Governmental Activities	
September 30,	Principal	Interest
2026	$ 988,886	$ 136,710
2027	893,654	96,285
2028	879,527	59,166
2029	469,724	21,093
	$ 3,231,791	$ 313,254

Long-term liability activity for the year ended September 30, 2025, is reflected in the following tables.

Governmental Activities:	**Beginning Balance**	**Additions**	**Reductions**	**Ending Balance**	**Due Within One Year**
Bonds payable:					
General obligation bonds	$ 73,415,000	$ -	$ (6,290,000)	$ 67,125,000	$ 6,280,000
General obligation bonds- Private placement	175,000	-	(60,000)	115,000	60,000
Certificates of obligation	28,560,000	-	(4,075,000)	24,485,000	3,725,000
Special assessment bonds	7,680,000	-	(195,000)	7,485,000	205,000
Lease liabilities	28,221	-	(28,221)	-	-
Subscription liabilities	661,767	3,407,254	(837,230)	3,231,791	988,886
Premium on bond issues	6,809,997	-	(663,983)	6,146,014	-
Arbitrage liability	2,062,765	-	(20,161)	2,042,604	688,917
Compensated absences	4,839,506	554,080	-	5,393,586	684,115
Total Governmental Activities	$ 124,232,256	3,961,334	(12,169,595)	116,023,995	12,631,918

Business-type Activities:	**Beginning Balance**	**Additions**	**Reductions**	**Ending Balance**	**Due Within One Year**
Bonds payable:					
General obligation bonds	$ 1,630,000	$ -	$ (395,000)	$ 1,235,000	$ 385,000
General obligation bonds- Private placement	60,000	-	(20,000)	40,000	20,000
Certificates of obligation	25,150,000	5,105,000	(2,085,000)	28,170,000	2,075,000
Certificates of obligation - Private placement	695,000	-	(60,000)	635,000	60,000
Leases	612,894	61,709	(134,748)	539,855	144,757
Premium on bond issues	1,061,760	446,867	(61,465)	1,447,162	-
Arbitrage liability	293,872	67,441	-	361,313	8,441
Compensated absences	452,236	-	(1,479)	450,757	57,125
Total Business-type Activities	$ 29,955,762	$ 5,681,017	$ (2,757,692)	$ 32,879,087	$ 2,750,323

The liability for the pension and OPEB-related liabilities are paid from the General Fund, Special Revenue Funds (Drainage, Crime Control District, and Parks and Recreation Development), enterprise funds, and internal service funds based on the assignment of an employee at termination. Changes in compensated absences balances are reflected net.

Current Year Debt Issuances

In January 2025, the City issued Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2025 in the amount of $5,105,000. The bonds were issued at a premium of $446,867 and mature in fiscal year 2044 with interest rates ranging from 4.00% to 5.00%. The proceeds of the sale will be used for (i) designing, constructing, improving, and equipping park and recreation facilities that are generally accessible to the public and are part of the City park system, and (ii) professional services rendered in relation to such projects and the financing thereof.

Note III - Other Information

A. Risk Management

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

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for health and dental as well as workers' compensation claims that have been incurred but not reported ("IBNR"). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. An excess coverage medical insurance policy covers individual claims in excess of $150,000 and/or $10,470,129 in the aggregate for a 12-month period beginning on January 1, 2025. Changes in the balances of claims liabilities during the past two years are as follows:

	2025	2024
Unpaid claims, beginning of year	$ 749,000	$ 738,000
Incurred claims (including IBNR)	14,164,037	16,618,434
Claim payments	(14,040,037)	(16,607,434)
Unpaid claims, end of year	$ 873,000	$ 749,000

B. Contingent Liabilities

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 is not aware of any pending litigation with a material impact.

C. Deferred Compensation Plan - 457(b) Plan

The City offers its employees a deferred compensation plan (the "Plan") created in accordance with Internal Revenue Code Section 457. The Plan is administered by Public Agency Retirement System. In 1998, the City implemented the requirements of GASB No. 32, *Accounting and Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* and in 2020 the City implemented the requirements of GASB No. 84, *Fiduciary Activities*. In accordance with these statements and tax law, the City has amended its trust agreements which establish that all assets and income of the trust are for the exclusive benefit of eligible employees and their beneficiaries. Due to the implementation of these changes, the City does not have any fiduciary responsibility or administrative duties relating to the deferred compensation plan other than remitting employees' contributions to the trustees. Accordingly, the City has not presented the assets and liabilities of the Plan in these basic financial statements.

D. Defined Benefit Pension Plan

Plan Description

The City of North Richland Hills participates as one of over 930 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 (the 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 based on 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.

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

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

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years to any age, or 5 years at a 60 and above
Updated service credit	100% repeating, transfers
Annuity increase to retirees	70% of CPI, repeating

Employees Covered by Benefit Terms

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	502
Inactive employees entitled to but not yet receiving benefits	389
Active employees	567
	1,458

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 were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 17.91% and 18.27% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025 were $8,811,315, 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:

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

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 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 the most recent Scale MP-2021 to account for future mortality improvements subject to the 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 to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investment was determined by best estimate ranges of expected returns for each major asset class. These 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 Equities	35.0%	7.10%
Core Fixed Income	6.0%	5.00%
Non-Core Fixed Income	6.0%	6.80%
Other Private Markets	4.0%	7.30%
Real Estate	12.0%	6.70%
Hedge Funds	5.0%	6.40%
Private Equity	13.0%	8.50%
Private Debt	13.0%	8.20%
Infrastructure	6.0%	6.00%
Total	100.0%	

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.

Basis of Allocation

Pension items are allocated between governmental activities and business-type activities on the basis of employee payroll funding. For the year ended September 30, 2025, those percentages were 83% and 17%, respectively, which approximated the prior year's allocations.

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at October 1,2024	$ 334,288,826	$ 300,618,183	$ 33,670,643
Changes for the year:			
Service cost	9,178,815	-	9,178,815
Interest	22,342,705	-	22,342,705
Difference between expected and actual experience	2,934,466	-	2,934,466
Change in assumptions	-	-	-
Contributions - employer	-	8,688,828	(8,688,828)
Contributions - employee	-	3,395,967	(3,395,967)
Net investment income	-	31,203,370	(31,203,370)
Benefits payments, including refunds of employee contributions	(15,750,401)	(15,750,401)	-
Administrative expense	-	(200,326)	200,326
Other changes	-	(4,685)	4,685
Net changes	18,705,585	27,332,753	(8,627,168)
Balance at September 30, 2025	$ 352,994,411	$ 327,950,936	$ 25,043,475

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the Net Pension Liability (Asset) of the City, calculated using the discount rate of 6.75%, as well as what the City's Net Pension Liability (Asset) 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 (Asset)	$ 73,573,769	$ 25,043,475	$ (14,901,443)

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 $9,996,414.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	$ -	$ 3,226,400
Difference in assumption changes	-	920,062
Difference between expected and actual experience	4,291,716	-
Contributions subsequent to the measurement date	6,462,701	-
	$ 10,754,417	$ 4,146,462

$6,462,701 reported as deferred outflows of resources related to pension 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:

Fiscal Year	Amount
2026	$ 1,875,646
2027	4,583,571
2028	(4,131,636)
2029	(2,182,327)
	$ 145,254

E. 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 North Richland Hills 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 City does not have a stand-alone financial report for the retiree health plan. A more detailed description of the plan is as follows:

Eligibility

Full-time employees of the City who meet the City's requirements are eligible to participate in the retiree health care plan. Upon terminating from active service, employees must have separated in "good standing", be eligible to retire under the Texas Municipal Retirement System (age 60 with 5 years of service or 20 years of service at any age) with the declared intent to begin to receive an annuity check from TMRS, and must have been covered under the City's health plan on the retiree's last day of active employment. Reduced premium rates for medical and dental coverage are offered to eligible retirees that have attained age 55 at retirement and meet one of the following plan rules:

Plan Rule	Multiplier
90 Plan	1.00
85 Plan	1.25
80 Plan	1.50
Access Plan	1.75

To be eligible for the 90 Plan, 85 Plan or 80 Plan, retirees must have attained the applicable combined number of years of service plus age at time of retirement. To be eligible for the Access Plan, retirees must have attained age 60 with at least 10 years of service. Service requirements are based on continuous service with the City of North Richland Hills.

Benefits Provided

Pre-65 medical premiums for 90 Plan retirees will be set to 20% of the total cost. Dental premiums for 90 Plan retirees are also reduced. For retirees that meet one of the other Plan Rules, applicable multiplier is applied to the premium rates for 90 Plan retirees. Medical coverage through the City's pre-65 health plan ceases when retirees/spouses become eligible for Medicare benefits. Vision benefits are available to retirees through a fully insured plan in which retirees pay 100% of the vision premiums. The City does not provide life insurance coverage for retirees or their dependents.

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:

Retirees and beneficiaries	182
Inactive, nonretired members	-
Active members	553
Total	735

The contribution requirements of plan members and the City are established and may be amended by the City Council members. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund. For measurement year ended December 31, 2024, the City's contributions to the plan were $1,709,475, which consist entirely of benefit payments.

Net OPEB Liability

The City's net OPEB liability 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 actuarial valuation was based on an actuarial valuation performed as of December 31, 2023. The following are the significant actuarial methods and assumptions:

Actuarial Valuation Date:	December 31, 2023
Methods and Assumptions:	
Actuarial Cost Method	Individual Entry-Age Normal
Single Discount Rate	4.43% as of December 31, 2024 (4.15% in prior year)
Inflation	2.50%
Salary Increases	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	85% for retirees meeting eligibility requirements for the 90 Plan; 75% for retirees meeting eligibility requirements for the 85 Plan; 60% for retirees meeting eligibility requirements for the 80 Plan; 60% for retirees meeting eligibility requirements for the Access Plan; 0% for retirees who are not eligible for any of the Plan Rules.
Notes:	The Single Discount Rate changed from 4.15% as of December 31, 2023 to 4.43% as of December 31, 2024.

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 this valuation, the expected rate of return on OPEB plan investments is 6.00%; 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 4.43%.

Basis of Allocation

OPEB items are allocated between governmental activities and business-type activities on the basis of employee payroll funding. For the year ended September 30, 2025, those percentages were 90% and 10%, respectively, which approximated the prior year's allocations.

Changes in Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at December 31, 2023	$ 27,545,011	$ 2,988,834	$ 24,556,177
Service cost	1,004,900	-	1,004,900
Interest	1,128,498	-	1,128,498
Difference between expected and actual experience	(77,195)	-	(77,195)
Changes of assumptions	(718,323)	-	(718,323)
Contributions - employer	-	1,709,475	(1,709,475)
Net investment income	-	291,569	(291,569)
Benefit payments, including refunds of employee contributions	(1,709,475)	(1,709,475)	-
Administrative expense	-	(18,454)	18,454
Net changes	(371,595)	273,115	(644,710)
Balance at December 31, 2024	$ 27,173,416	$ 3,261,949	$ 23,911,467

Changes of assumptions reflect a change in the Single Discount Rate from 4.15% as of December 31, 2023 to 4.43% as of December 31, 2024.

Consistent with the requirements of GASB Statements No. 74 and No. 75, employer contributions include “amounts for OPEB as the benefits come due that will not be reimbursed to the employer using OPEB plan assets.” The employer contributions of $1,709,475 consist entirely of benefit payments, which were paid by the City using its own assets.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following schedule presents the net OPEB liability of the City, calculated using the discount rate of 4.43%, as well as what the City’s net OPEB liability would be if it were calculate using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease in Discount Rate (3.43)%	Discount Rate (4.43)%	1% Increase in Discount Rate (5.43)%
City's Net OPEB Liability	$ 26,610,787	$ 23,911,467	$ 21,557,281

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the City, calculated using the healthcare cost trend rate, as well as what the City’s net OPEB liability would be if it were calculate using a trend rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
City's Net OPEB Liability	$ 20,955,578	$ 23,911,467	$ 27,463,213

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB's plan Fiduciary Net Position is available in the basic financial statements section of the City of North Richland Hills Annual Comprehensive Financial Report for the year-ended September 30, 2025. The plan's Fiduciary Net Position as a percentage of Total OPEB Liability was 12.00% at September 30, 2025.

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 (income) of $(1,477,115).

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in assumption changes	$ 2,132,300	$ 4,679,189
Difference between expected and actual experience	-	10,330,243
Net difference between projected and actual investment earnings	13,474	-
Contributions subsequent to the measurement date	934,821	-
	$ 3,080,595	$ 15,009,432

$934,821 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for 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:

Fiscal Year Ended September 30,	Amount
2026	$ (3,368,713)
2027	(2,759,669)
2028	(2,231,852)
2029	(2,241,952)
2030	(106,857)
Thereafter	(2,154,615)
	$ (12,863,658)

F. Tax Incentive Rebates

The City of North Richland Hills currently has four (4) active Commercial Development and Job-Related Incentive Rebates that develop or redevelop a particular property attracting business that generates incremental tax revenues. The agreement is subject to Chapter 380 of the Texas Local Government Code that promotes local economic development, commercial activity and business stimulation. City Council approves the agreements via resolution. As part of the agreement, the City agrees to rebate the ad valorem tax increment and the local sales tax after confirmation of payment. If the businesses do not meet the obligations as set forth in the agreement, a claw-back provision for default on agreement is included in the agreement and agrees to return a percentage of the rebate back to the City. Total rebate of taxes for fiscal year 2025 was $267,174.

Required Supplementary Information

CITY OF NORTH RICHLAND HILLS, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM PLAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
For the Last Ten Measurement Years

	Measurement Year December 31,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service cost	$ 9,178,815	$ 8,103,049	$ 7,471,479	$ 7,090,461	$ 6,818,264	$ 6,689,567	$ 6,406,497	$ 6,191,617	$ 5,991,326	$ 5,732,122
Interest (on the total pension liability)	22,342,705	21,291,104	20,215,755	19,044,318	18,175,404	17,239,979	16,482,949	15,687,433	14,990,680	14,861,355
Difference between expected and actual experience	2,934,466	2,502,664	1,618,053	3,813,382	(58,137)	767,788	(455,398)	523,226	(1,803,452)	(1,819,900)
Change of assumptions	-	(1,788,046)	-	-	-	409,737	-	-	-	(452,493)
Benefit payments, including refunds of employee contributions	(15,750,401)	(14,384,381)	(12,995,547)	(12,572,548)	(11,825,125)	(10,801,408)	(11,919,243)	(9,529,337)	(8,383,529)	(8,959,709)
Net Change in Total Pension Liability	18,705,585	15,724,390	16,309,740	17,375,613	13,110,406	14,305,663	10,514,805	12,872,939	10,795,025	9,361,375
Total Pension Liability - Beginning	334,288,826	318,564,436	302,254,696	284,879,083	271,768,677	257,463,014	246,948,209	234,075,270	223,280,245	213,918,870
Total Pension Liability - Ending (a)	$ 352,994,411	$ 334,288,826	$ 318,564,436	$ 302,254,696	$ 284,879,083	$ 271,768,677	$ 257,463,014	$ 246,948,209	$ 234,075,270	$ 223,280,245
Plan Fiduciary Net Position										
Contributions - employer	$ 8,688,828	$ 7,537,419	$ 6,841,395	$ 6,517,324	$ 6,081,331	$ 6,008,691	$ 5,737,359	$ 5,623,410	$ 5,409,161	$ 5,468,306
Contributions - employee	3,395,967	3,069,337	2,848,888	2,710,717	2,605,232	2,604,392	2,491,416	2,410,529	2,328,666	2,280,541
Net investment income	31,203,370	31,577,919	(21,744,788)	34,769,354	19,045,720	33,921,847	(6,894,711)	28,219,967	12,939,363	284,162
Benefit payments, including refunds of employee contributions	(15,750,401)	(14,384,381)	(12,995,547)	(12,572,548)	(11,825,125)	(10,801,408)	(11,919,243)	(9,529,337)	(8,383,529)	(8,959,709)
Administrative expense	(200,326)	(201,026)	(188,258)	(160,913)	(123,279)	(191,704)	(133,257)	(146,245)	(146,139)	(173,081)
Other	(4,685)	(1,405)	224,648	1,102	(4,810)	(5,759)	(6,962)	(7,411)	(7,874)	(8,547)
Net Change in Plan Fiduciary Net Position	27,332,753	27,597,863	(25,013,662)	31,265,036	15,779,069	31,536,059	(10,725,398)	26,570,913	12,139,648	(1,108,328)
Plan Fiduciary Net Position - Beginning	300,618,183	273,020,320	298,033,982	266,768,946	250,989,877	219,453,818	230,179,216	203,608,303	191,468,655	192,576,983
Plan Fiduciary Net Position - Ending (b)	$ 327,950,936	$ 300,618,183	$ 273,020,320	$ 298,033,982	$ 266,768,946	$ 250,989,877	$ 219,453,818	$ 230,179,216	$ 203,608,303	$ 191,468,655
Net Pension Liability - Ending (a) - (b)	$ 25,043,475	$ 33,670,643	$ 45,544,116	$ 4,220,714	$ 18,110,137	$ 20,778,800	$ 38,009,196	$ 16,768,993	$ 30,466,967	$ 31,811,590
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	92.91%	89.93%	85.70%	98.60%	93.64%	92.35%	85.24%	93.21%	86.98%	85.75%
Covered Payroll	$ 48,513,821	$ 43,847,667	$ 40,672,177	$ 38,724,529	$ 37,217,597	$ 37,205,542	$ 35,591,651	$ 34,436,087	$ 33,266,663	$ 32,568,873
Net Pension Liability as a Percentage of Covered Payroll	51.62%	76.79%	111.98%	10.90%	48.66%	55.85%	106.79%	48.70%	91.58%	97.67%

Other Information:

For the 2015 valuation, inflation used was 2.5%, investment rate of return and discount rate used was 6.75% and actuarial studies were updated through December 31, 2014.

For the 2019 valuation, actuarial studies were updated through December 31, 2018.

For the 2023 valuation, actuarial studies were updated through December 31, 2022.

CITY OF NORTH RICHLAND HILLS, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM PLAN
SCHEDULE OF PENSION CONTRIBUTIONS
For the Last Ten Fiscal Years

	Fiscal Year									
	2025	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**
Actuarially determined contribution	$ 8,811,315	$ 8,173,351	$ 7,447,454	$ 6,677,664	$ 6,384,064	$ 6,318,501	$ 5,905,942	$ 5,727,471	$ 5,559,812	$ 5,417,111
Contributions in relation to the actuarially determined contribution	8,811,315	8,173,351	7,447,454	6,677,664	6,384,064	6,318,501	5,905,942	5,727,471	5,559,812	5,417,111
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 48,486,715	$ 46,064,389	$ 43,553,577	$ 39,820,111	$ 38,194,320	$ 38,791,732	$ 36,587,770	$ 35,403,126	$ 34,086,933	$ 33,017,098
Contributions as a percentage of covered payroll	18.17%	17.74%	17.10%	16.77%	16.71%	16.29%	16.14%	16.18%	16.31%	16.41%

Valuation Date: 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 Rate:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	20 Years (longest amortization ladder)
Asset Valuation Method	10 Year Smoothed Market; 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 and are specific to the City's plan of benefits. 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 multipled 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 110% of the Public Safety table used for males and 100% of the General Employee table used for females. The rates are projected on fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information: There were no benefit changes during the year.

CITY OF NORTH RICHLAND HILLS, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

NORTH RICHLAND HILLS RETIRED EMPLOYEES HEALTHCARE PLAN

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

For the Last Eight Measurement Years

	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability								
Service cost	$ 1,004,900	$ 1,120,666	$ 1,313,361	$ 1,346,438	$ 1,181,994	$ 1,415,009	$ 1,380,982	$ 3,033,865
Interest on the total OPEB liability	1,128,498	1,391,698	878,432	1,012,300	1,175,886	1,748,613	1,612,101	2,939,073
Changes of benefit terms	-	-	2,619,863	-	-	-	-	(36,006,639)
Difference between expected and actual experience	(77,195)	(6,732,068)	(1,131,561)	(4,824,354)	(739,254)	(9,119,458)	(424,223)	-
Change of assumptions	(718,323)	1,242,637	(6,402,288)	602,574	2,282,881	471,134	(1,473,549)	678,308
Benefit payments	(1,709,475)	(1,528,447)	(849,944)	(956,992)	(1,435,968)	(1,377,599)	(2,036,450)	(2,192,748)
Net Change in Total OPEB Liability	(371,595)	(4,505,514)	(3,572,137)	(2,820,034)	2,465,539	(6,862,301)	(941,139)	(31,548,141)
Total OPEB Liability - Beginning	27,545,011	32,050,525	35,622,662	38,442,696	35,977,157	42,839,458	43,780,597	75,328,738
Total OPEB Liability - Ending (a)	$ 27,173,416	$ 27,545,011	$ 32,050,525	$ 35,622,662	$ 38,442,696	$ 35,977,157	$ 42,839,458	$ 43,780,597
Plan Fiduciary Net Position								
Contributions - employer	$ 1,709,475	$ 1,528,447	$ 949,944	$ 1,056,992	$ 1,535,968	$ 1,477,599	$ 2,136,450	$ 2,292,748
Net investment income	291,569	369,756	(436,311)	249,744	310,555	333,159	(79,800)	212,194
Benefit payments	(1,709,475)	(1,528,447)	(849,944)	(956,992)	(1,435,968)	(1,377,599)	(2,036,450)	(2,192,748)
Administrative expense	(18,454)	(16,162)	(15,956)	(16,855)	(13,443)	(11,962)	(10,939)	(8,770)
Net Change in Plan Fiduciary Net Position	273,115	353,594	(352,267)	332,889	397,112	421,197	9,261	303,424
Plan Fiduciary Net Position - Beginning	2,988,834	2,635,240	2,987,507	2,654,618	2,257,506	1,836,309	1,827,048	1,523,624
Plan Fiduciary Net Position - Ending (b)	$ 3,261,949	$ 2,988,834	$ 2,635,240	$ 2,987,507	$ 2,654,618	$ 2,257,506	$ 1,836,309	$ 1,827,048
Net OPEB Liability - Ending (a) - (b)	$ 23,911,467	$ 24,556,177	$ 29,415,285	$ 32,635,155	$ 35,788,078	$ 33,719,651	$ 41,003,149	$ 41,953,549
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	12.00%	10.85%	8.22%	8.39%	6.91%	6.27%	4.29%	4.17%
Covered Payroll	$ 48,513,821	$ 43,847,667	$ 40,672,177	$ 38,724,529	$ 37,217,597	$ 37,205,602	$ 34,555,433	$ 33,455,733
Net OPEB Liability as a Percentage of Covered Payroll	49.29%	56.00%	72.32%	84.28%	96.16%	90.63%	118.66%	125.40%

Changes of assumptions reflect a change in the Single Discount Rate each period. The following are the discount rates used in each of the periods:

2024	4.43%
2023	4.15%
2022	4.37%
2021	2.45%
2020	2.62%
2019	3.28%
2018	4.08%
2017	3.71%

The demographic assumptions were updated to reflect the 2023 TMRS Experience Study, and the health care trend rates were updated to better reflect the plan's anticipated experience.

Changes of benefit terms reflect an expansion of the definition of years of service as it pertains to eligibility for benefits.
The long-term expected rate of investment return was lowered from 6.25% to 6.00% in plan year 2021.

The demographic assumptions were updated to reflect the 2019 TMRS Experience Study, and the health care trend rates were updated to better reflect the plan's anticipated experience and the repeal of the "Cadillac Tax."

Consistent with the requirements of GASB Statement No. 74, the employer contributions include “amounts for OPEB as the benefits come due that will not be reimbursed to the employer using OPEB plan assets.” The employer contributions shown above were exlcusively benefit payments, which were paid by the City using its own assets.

CITY OF NORTH RICHLAND HILLS, TEXAS

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND
For the Year Ended September 30, 2025

	Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	$ 48,459,869	$ 47,318,001	$ 46,505,821	$ (812,180)
Fines and forfeitures	1,126,791	1,632,079	1,894,073	261,994
Licenses and permits	2,066,600	2,718,834	2,351,781	(367,053)
Charges for services	3,918,664	3,722,683	7,522,620	3,799,937
Intergovernmental	5,554,581	5,554,581	3,366,804	(2,187,777)
Miscellaneous	2,646,442	2,728,742	2,898,362	169,620
Total Revenues	63,772,947	63,674,920	64,539,461	864,541
Expenditures				
City council	135,436	135,436	109,361	26,075
City manager	876,380	949,948	889,605	60,343
Communications	519,268	517,330	515,289	2,041
City secretary	686,769	691,490	679,302	12,188
Legal	580,166	580,166	533,061	47,105
Human resources	167,452	187,164	169,115	18,049
Finance	943,354	938,018	919,095	18,923
Budget and research	560,088	552,780	522,949	29,831
Municipal court	1,754,989	1,688,853	1,628,288	60,565
Development services	445,371	488,097	452,168	35,929
Economic development	407,552	407,859	408,119	(260)
Library	2,593,127	2,560,922	2,493,950	66,972
Neighborhood services	3,637,047	3,605,193	3,505,339	99,854
Public works	3,532,633	3,465,575	3,340,298	125,277
Parks and recreation	1,620,526	1,626,693	1,600,010	26,683
Police	19,778,294	19,935,389	19,667,380	268,009
Fire	17,331,139	17,485,028	17,072,103	412,925
Facilities and construction management	899,730	899,730	899,730	-
Non-departmental	4,379,574	3,990,290	3,760,376	229,914
Sub-total departments	60,848,895	60,705,961	59,165,538	1,540,423
Other & Reserves				
Capital project transfers	2,640,000	2,640,000	2,640,000	-
Operational transfers	274,052	328,959	328,958	(1)
Planned contributions to fund balance	10,000	-	-	-
Sub-total other & reserves	2,924,052	2,968,959	2,968,958	(1)
Total Expenditures	63,772,947	63,674,920	62,134,496	1,540,422
Net Increase	$ -	$ -	2,404,965	$ 2,404,965

Reconciliation between budgetary basis actual and GAAP	
Miscellaneous	1,400,841
Capital outlay	(1,435,287)
Debt service principal and interest payments	66,893
Net change in fund balance - GAAP	$ 2,437,412

CITY OF NORTH RICHLAND HILLS, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE

BUDGET (NON-GAAP BASIS) AND ACTUAL - PARKS AND RECREATION DEVELOPMENT CORPORATION FUND

For the Year Ended September 30, 2025

	Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)
Revenues				
Sales Tax	$ 7,223,071	$ 7,300,152	$ 7,414,294	$ 114,142
NRH Centre	3,848,902	3,860,902	3,691,845	(169,057)
Tennis Center	546,000	596,000	502,744	(93,256)
Athletic program service	145,000	145,000	177,175	32,175
Park impact fee	45,000	79,000	32,105	(46,895)
Youth association maintenance fees	16,300	16,300	23,214	6,914
Other Income	427,150	267,450	363,182	95,732
Appropriation of fund balance	1,751,442	1,724,417	-	(1,724,417)
Total Revenues	14,002,865	13,989,221	12,204,559	(1,784,662)
Expenses:				
Operating:				
Park facilities development administration	$ 752,111	$ 783,958	$ 797,903	(13,945)
Maintenance and operations	2,348,574	2,290,742	2,234,617	56,125
NRH Centre	3,834,859	3,847,417	3,838,105	9,312
Tennis center operations	707,622	739,496	638,195	101,301
Athletic program services	176,225	175,904	167,618	8,286
Non-departmental	159,264	91,567	88,322	3,245
Sub-total operating	7,978,655	7,929,084	7,764,760	164,324
Other & Reserves:				
Debt service payment	421,005	421,005	421,005	-
Capital project transfers	4,942,421	4,942,421	4,904,404	38,017
Indirect cost and economic development transfers	649,784	651,711	637,315	14,396
Planned contributions to fund balance	(23,000)	11,000	-	11,000
Sub-total other & reserves	5,990,210	6,026,137	5,962,724	63,413
Total Expenditures	13,968,865	13,955,221	13,727,484	227,737
Net Increase (Decrease)	$ 34,000	$ 34,000	(1,522,925)	$ (1,556,925)
Reconciliation between budgetary basis actual and GAAP				
Miscellaneous			(64,875)	
Net change in fund balance - GAAP			$ (1,587,800)	

Note A - Budgetary Information

Prior to the beginning of the fiscal year, the City Council adopts an annual budget which covers the Governmental, Enterprise, and Internal Service Funds. All appropriations lapse at fiscal year-end (September 30th) with the exception of capital projects which carry forward to completion of the project. The budgets for Governmental Funds are prepared on the budget basis, which differs from the modified accrual basis of accounting. Enterprise and Internal Service Funds are prepared on the budget basis and differ from the accounting basis by recognizing debt principal payments, capital outlays as expenditures, and compensated absences as payments come due. Additionally, depreciation is not included as a budgetary expense. The City Manager will submit the proposed budget to City Council in late summer (July or August) and prior to adoption will hold the required public hearings for the proposed budget and proposed tax rate. After the public hearings are held, the City Council will adopt a budget and tax rate through ordinance. The proposed budget becomes effective on October 1st of that calendar year and runs through September 30th of the following calendar year.

The adopted budget is prepared by fund, department, and division. The City Manager is authorized to make inter- departmental and inter-fund transfers during the fiscal year as deemed necessary to avoid over-expenditure of accounts. After the budget is adopted, the City Manager is not allowed to authorize any expenditure that exceeds total funds in the overall budget without amending the budget through City Council action. A summary of changes in the adopted operating budget follows.

Note A - Budgetary Information (continued)

Legally Adopted Fund	Original	Final	Increase (Decrease)	Explanation
General Fund	$ 63,772,947	$ 63,674,920	$ (98,027)	Notable revenue changes include an approximate increase of $544,000 in Permit revenue, an approximate increase of $154,000 in Municipal Court Fines, and an approximate increase of $154,000 in Sales Tax Revenue. Notable Expenditure Changes include an approximate $945,000 decrease across all divisions due to salary savings and a $406,000 increase in overtime expenses. Other smaller adjustments make up the remainder.
General Debt Service	14,128,507	14,128,507	-	No changes.
Parks and Recreation	14,002,865	13,955,221	(47,644)	Revenue changes include an increase in Sales Tax Revenue of $77,081 and the appropriation to fund balance increasing by $27,025. Expenditure Changes include the Tennis Center operational expenses increasing by $31,874. Also, approximately $63,000 decreased in expenses due to salary savings. Other smaller adjustments make up the remainder.
Promotional	469,991	497,253	27,262	The appropriation of fund balance increased by $27,262. $39,571 increase in Cultural and Leisure due to expenses from the previous fiscal year. Economic decreased by $12,000 due to lower-than-expected economic development incentives payout. Other smaller adjustments make up the remainder.
Donations	314,866	323,163	8,297	Expenditure changes include a $16,361 decrease in Neighborhood Services Programs due to a decreased amount needed for Neighborhood Initiative Program. A $26,000 increase in Parks and Recreation Programs for event expenses and miscellaneous supplies.
Special Investigations	261,000	261,708	708	Various line-item changes under $10,000 each.
Drainage Utility	1,853,442	1,874,642	21,200	Investment income and contribution to fund balance increased by $21,200.

Note A - Budgetary Information (continued)

Legally Adopted Fund	Original	Final	Increase (Decrease)	Explanation
Fleet Services	4,723,138	5,210,307	487,169	Operating Expenditures increased a net $487,169 to take into account an approximate $576,000 increase in Vehicle Purchases & Upfitting from the previous fiscal year and an approximate ($94,000) in salary savings.
Self-Insurance	15,169,533	18,275,133	3,105,600	$3,200,000 increase in Stop-Loss Reimbursement Revenue. $3,196,278 increase in Health & Medical Expenditures which was mostly offset by Stop-Loss coverage. Contribution of Fund Balance decreased by $281,340. Other smaller adjustments make up the remainder.
Information Technology	6,233,607	6,399,393	165,786	$165,786 increase in expenditures for hardware purchases from the prior fiscal year. Appropriation of Fund Balance increased by $175,811. Other smaller adjustments make up the remainder.
Total	$ 191,840,496	$ 200,055,900	$ 8,215,404	

APPENDIX C

FORMS OF BOND COUNSEL'S OPINIONS

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[CLOSING DATE]

IN REGARD to the authorization and issuance of the "City of North Richland Hills, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2026," dated August 15, 2026, in the principal amount of $[________] (the "Certificates"), we have examined into their issuance by the City of North Richland Hills, 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 February 15 in each of the years specified in the ordinance adopted by the City Council of the City authorizing the issuance of the Certificates (the "Ordinance"), without right of prior redemption. The Certificates accrue interest from the date, 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 of the City in connection with the issuance of the Certificates, including the Ordinance, (ii) certifications and opinions 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 to certain other facts within the knowledge and control of the City, and (iii) such other documentation, including an examination of the Certificate executed and delivered initially by the City (which we found to be in due form and properly executed), and such matters of law as we deem relevant to the matters discussed below. In such examinations, 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 and information contained in such documents and certificates.

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 combined 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

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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