

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

Dated November 26, 2024

Ratings:
Moody's: "Aa2"
S&P: "AA+"
 (See "OTHER INFORMATION -NEW ISSUE - Book-Entry-Only Ratings" herein)

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



\$5,140,000*
CITY OF NORTH RICHLAND HILLS, TEXAS
 (Tarrant County)
TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE) REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

Dated Date: December 1, 2024

Due: August 15 and February 15, as shown below

Interest Accrues from Delivery Date

PAYMENT TERMS . . . Interest on the \$5,140,000* City of North Richland Hills, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2025 (the "Certificates") will accrue from the Delivery Date (defined below), will be payable February 15 and August 15 of each year, commencing August 15, 2025, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, 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. **No physical delivery of the Certificates will be made to the 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 CERTIFICATES - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is UMB Bank, N.A., Dallas, Texas (see "THE CERTIFICATES - 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 December 9, 2024 (the "Ordinance") (see "THE CERTIFICATES - Authority for Issuance" and "THE CERTIFICATES - Security and Source of Payment").

PURPOSE . . . Proceeds from the sale of the Certificates 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 (see "PLAN OF FINANCING").

MATURITY SCHEDULE*

CUSIP Prefix: 661838⁽¹⁾

Amount	Maturity	Initial Rate	Price or Yield	CUSIP Suffix ⁽¹⁾	Amount	Maturity	Initial Rate	Price or Yield	CUSIP Suffix ⁽¹⁾
\$ 255,000	8/15/2025				\$ 255,000	2/15/2035			
255,000	2/15/2026				255,000	2/15/2036			
260,000	2/15/2027				255,000	2/15/2037			
260,000	2/15/2028				255,000	2/15/2038			
260,000	2/15/2029				255,000	2/15/2039			
260,000	2/15/2030				255,000	2/15/2040			
260,000	2/15/2031				255,000	2/15/2041			
260,000	2/15/2032				255,000	2/15/2042			
260,000	2/15/2033				255,000	2/15/2043			
260,000	2/15/2034				255,000	2/15/2044			

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. 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 Financial 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 City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES - Optional Redemption"). The Certificates may also be subject to mandatory sinking fund redemption in the event the initial purchaser of the Certificates elects to aggregate two or more consecutive maturities as one or more term certificates. In such event, the mandatory sinking fund redemption provisions will be set forth in the Ordinance and the Official Statement (see "THE CERTIFICATES - Mandatory Sinking Fund Redemption").

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

DELIVERY . . . It is expected that the Certificates will be available for delivery through the facilities of DTC on January 7, 2025 (the "Delivery Date").

SEALED BIDS DUE DECEMBER 9, 2024, AT 10:15 AM, CST

* Preliminary, subject to change. See "Adjustment of Principal Amounts and/or Types of Bids" in the "Notice of Sale and Bidding Instructions 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 page 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 a representation, promise or guarantee of the Financial Advisor.

This Official Statement includes descriptions and summaries of certain events, matters and documents. Such descriptions and summaries do not purport to be complete and all such descriptions, summaries and references thereto are qualified in their entirety by reference to this Official Statement in its entirety and to each such document, copies of which may be obtained from the Financial Advisor. Any statements made in this Official Statement or the appendices hereto involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized.

Neither the City nor its Financial Advisor make any representation as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

The cover page of this Official Statement contains certain information for general reference only and is not intended as a summary of the offering. Investors should read the entire Official Statement, including the appendices hereto, to obtain information essential to making an informed investment decision.

The agreements of the City and others related to the Certificates are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Certificates is to be construed as constituting an agreement with the purchaser of the Certificates. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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 statements.

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.

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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 (defined herein) 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 \$5,140,000* City of North Richland Hills, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2025 (the "Certificates") are being issued as serial Certificates maturing on August 15, 2025, and February 15 in each of the years 2026 through 2044, unless the initial purchaser of the Certificates (the "Initial Purchaser") 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 (defined herein) and is payable August 15, 2025, and each February 15 and August 15 thereafter until maturity or prior redemption (see "THE CERTIFICATES - Description of the Certificates", "THE CERTIFICATES - Optional Redemption" and "THE CERTIFICATES – Mandatory Sinking Fund 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 expected to be passed by the City Council of the City on December 9, 2024 (the "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 Ordinance (see "THE CERTIFICATES - Security and Source of Payment").

- REDEMPTION** The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES - Optional Redemption"). The Certificates may also be subject to mandatory sinking fund redemption in the event the Initial Purchaser elects to aggregate two or more consecutive maturities as one or more term certificates. In such event, the mandatory sinking fund redemption provisions will be set forth in the Ordinance and the Official Statement.

- 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" herein.

- USE OF PROCEEDS** Proceeds of the Certificates are expected to 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 (see "PLAN OF FINANCING").

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

- BOOK-ENTRY-ONLY SYSTEM**..... The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. 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.

* 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	% of Total Tax Collections
						G.O. Tax Debt to Taxable Assessed Valuation	
2021	70,380 ⁽¹⁾	\$ 6,517,524,064	\$ 92,605	\$ 92,732,364	\$ 1,318	1.42%	94.98%
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 ⁽²⁾	8,763,575,580	119,540	97,945,000	1,336	1.12%	95.53% ⁽⁶⁾
2025	73,311 ⁽²⁾	9,373,366,412	127,858	87,980,000 ⁽⁵⁾	1,200 ⁽⁶⁾	0.94% ⁽⁶⁾	N/A

(1) Source: North Central Texas Council of Governments.

(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 tax year.

(4) Excludes self-supporting debt.

(5) Projected. Includes the Certificates. Preliminary, subject to change.

(6) As of September 30, 2024. Preliminary information provided by City staff.

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>City Council</u>	<u>Year of Election</u>	<u>Term Expires</u>	<u>Occupation</u>
Jack McCarty Mayor	2024	May 2026	Retired, Chief Operating Officer - Division of United Health Care
Tito Rodriguez Councilmember-Place 1	2011	May 2025	Retired, Office of the Texas Attorney General
Ricky Rodriguez Associate Mayor Pro Tem - Place 2	2024	May 2026	Agent, Legacy Insurance
Suzy Compton Councilmember - Place 3	2019	May 2025	Retired, Birdville Independent School District
Matt Blake Councilmember - Place 4	2024	May 2026	Small Business Owner
Blake Vaughn Deputy Mayor Pro Tem - Place 5	2022	May 2025	Small Business Owner
Russ Mitchell Councilmember - Place 6	2024	May 2026	Farmers Insurance Agency Owner
Kelvin Deupree Mayor Pro Tem - Place 7	2021	May 2025	Senior Vice President - Risk Testing Manager, Bank of America

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Year of Employment</u>
Paulette Hartman	City Manager	2014
Trudy Lewis	Assistant City Manager	2021
Caroline Waggoner	Assistant City Manager	2003
Chase Fosse	Director of Budget & Research	2024
Jay Patel	Director of Finance	2024
Alicia Richardson	City Secretary/Chief Governance Officer	2014
Traci Henderson	Assistant City Secretary	2017
Bradley Anderle	City Attorney	2024
Adrien Pekurney	Director of Parks & Recreation	1999

CONSULTANTS AND ADVISORS

Certified Public AccountantsFORVIS, LLP
Dallas, Texas

Bond Counsel Norton Rose Fulbright US LLP
Dallas, Texas

Financial AdvisorHilltop Securities Inc.
Fort Worth, Texas

For additional information regarding the City, please contact:

Jay Patel	Laura Alexander or
Director of Finance	Steven Murray
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

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

**\$5,140,000*
TAX AND WATERWORKS AND SEWER SYSTEM (LIMITED PLEDGE)
REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025**

INTRODUCTION

This Preliminary Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$5,140,000* City of North Richland Hills, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2025 (the "Certificates"). The Certificates are being authorized for issuance under an ordinance (the "Ordinance"), expected to be adopted by the City Council of the City on December 9, 2024. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance, except as otherwise indicated herein.

There follows in this Official Statement 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 Financial Advisor, Hilltop Securities Inc., 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 two 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 2020 Census population for the City was 69,915, and the City has an estimated 2025 population of 73,311. 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 OF THE CERTIFICATES . . . Proceeds of the Certificates are expected to 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.

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

Sources:

Par Amount	\$ -
Net 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 December 1, 2024 (the "Dated Date"), and mature on August 15, 2025, and February 15 in each of the years and in the amounts shown on the cover page 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 August 15, 2025, until maturity or prior redemption. 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 the Paying Agent/Registrar (defined herein) 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 Ordinance.

SECURITY AND SOURCE OF PAYMENT . . . The principal of and interest on the Certificates are 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 Ordinance) of the City's Waterworks and Sewer System (the "System"), such pledge of the Net Revenues for the payment of the Certificates being junior and subordinate to the lien on and pledge of such Net Revenues securing the payment of Prior Lien Obligations (as defined in the 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.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after February 15, 2035 in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2034 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City may select the maturities of Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If the Certificates (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION . . . In the event any of the 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 Ordinance, which provisions will be included in the final Official Statement.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificates to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. IF A CERTIFICATE (OR ANY PORTION OF ITS PRINCIPAL SUM) SHALL HAVE BEEN DULY CALLED FOR REDEMPTION AND NOTICE OF SUCH REDEMPTION DULY GIVEN, THEN UPON THE REDEMPTION DATE SUCH CERTIFICATE (OR THE PORTION OF ITS PRINCIPAL SUM TO BE REDEEMED) SHALL BECOME DUE AND PAYABLE, AND, IF MONIES FOR THE PAYMENT OF THE REDEMPTION PRICE ARE HELD FOR THE PURPOSE OF SUCH PAYMENT BY THE PAYING AGENT/REGISTRAR AND ALL OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST SHALL CEASE TO ACCRUE AND BE PAYABLE FROM AND AFTER THE REDEMPTION DATE ON THE PRINCIPAL AMOUNT REDEEMED.

With respect to any optional redemption of the Certificates, unless certain prerequisites to such redemption required by the Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Certificates to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption will, at the option of the City, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the City will not redeem such Certificates and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Certificates have not been redeemed.

AMENDMENTS . . . The City, may, without the consent of or notice to any registered owners, from time to time and at any time, amend the 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 outstanding 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, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Certificates, (2) give any preference to any Certificate over any other Certificate, or (3) reduce the aggregate principal amount of the Certificates required to be held by the owners of the Certificates, for consent to any such amendment, addition, or rescission.

DEFEASANCE . . . The Ordinance provides 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, redemption, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar or other authorized entity, in trust (1) money sufficient to make such payment or (2) Government Securities, which Government Securities shall 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/Registrar, and thereafter, the City will have no further responsibility with respect to amounts available to such paying agent/registrar (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. In the event of a defeasance of the Certificates, the City shall deliver a certificate from its financial advisor, the Paying Agent/Registrar, an independent certified public accountant, or another qualified third party concerning the sufficiency of the deposit of cash and/or Government Securities to pay, when due, the principal of, redemption premium (if any), and interest due on any defeased Certificates. The 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 that may be used to defease obligations such as the Certificates under the then applicable laws of the State. 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 obligations payable from the proceeds of an ad valorem tax but will be payable solely from the cash and securities deposited with the place of payment and will not be considered outstanding debt of the City for purposes of applying any limitation on the City's ability to issue debt or for any other purpose; provided, however, the City has reserved the option, to be exercised at the time of the defeasance of the Certificates, to call for redemption, at an earlier date, those Certificates which have been defeased to their maturity date, if the City: (i) in the proceedings providing for firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and accredited by DTC 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, Financial Advisor and the initial purchaser of the Certificates (the "Initial Purchaser") believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

The City and the Initial Purchaser cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial Owner, 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 security certificate will be issued for each maturity of each series of the Certificates in the aggregate principal amount thereof and will be deposited with DTC.

DTC, the world's largest securities 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 corporations 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 Certificate ("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, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interest in the Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 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 Participant to whose account such Certificates are credited, which may or may not be the Beneficial Owners. The 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 redemptions, tenders, defaults, and proposed amendments to the Certificate 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 registrar and request that copies of notices be provided directly to them.

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

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

Payments on the Certificates will be made to 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 on payable dates 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 in 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, the Paying Agent/Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to DTC is the responsibility of the City, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities 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 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 Financial Advisor or the Initial Purchaser.

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

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar for the Certificates is UMB Bank, N.A., Dallas, Texas (the "Paying Agent/Registrar"). In the 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 or trust company organized under the laws of the State of Texas 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 by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Principal of the Certificates is payable to the registered holder appearing on the registration books of the Paying Agent/Registrar (the "Registered Owner") at the designated corporate trust office of the Paying Agent/Registrar upon surrender of the Certificates for payment. Interest on the Certificates is payable to the Register Owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (identified below) and such interest shall be paid by the Paying Agent/Registrar by check mailed, first class postage prepaid, to the Register Owner or by such other arrangement, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the Registered Owner; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Certificates, all payments will be made as described under "THE CERTIFICATES – Book-Entry-Only System" herein. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated corporate office of the Paying Agent/Registrar is located is authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, printed Certificates will be delivered to the Registered Owners and thereafter the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed Certificates 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 "THE CERTIFICATES—Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Certificate called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the Registered Owner of the uncalled balance of an Bond.

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 ("Special Payment Date", 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 Registered Owner of a Certificate 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.

BONDHOLDERS' REMEDIES . . . The Ordinance does not specify events of default with respect to the Certificates. If the City defaults in the payment of principal, interest, or redemption price on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the 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 Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and within the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interests of the registered owners upon any failure of the City to perform in accordance with the terms of the 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.

The Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City 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. If sovereign immunity is determined by a court to exist, then the Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by the statute in "clear and unambiguous" language. 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. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, registered owners may not be able to bring such a suit against the City for breach of the Certificates or the covenants in the 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 bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce 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 opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors.

Initially, the only registered owner of the Certificates will be Cede & Co., the nominee of DTC. See "THE CERTIFICATES - Book-Entry-Only System" above for a description of the duties of DTC with regard to ownership of the Certificates.

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.

Effective January 1, 2024, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5,000,000 (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2024 tax year, through December 31, 2026 (unless extended by the Legislature), the maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer 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 will 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/2025/2025-2026TADRReappraisalPlan.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 that adopted an optional homestead exemption described in (1), above, for the 2022 tax year are prohibited from repealing or reducing the exemption through December 31, 2027. The exemption described in (2), above, may 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.

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

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

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

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

TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER . . . The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes, located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. 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. The Texas Legislature amended Section 11.35, Property Tax Code to clarify that "damage" for purposes of such statute is limited to "physical damage."

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 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 one 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 \$59,562,331 for the 2024 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 sum of the foregone revenue amount for each of the tax years 2021 through 2023 divided by the current total value..

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

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

A city must annually calculate its voter-approval tax rate and no-new-revenue tax rate 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.

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 delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

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.

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 six 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 six active economic development incentives through Chapter 380 of the Texas Local Government Code that reimburse a portion of incremental revenue from either the general fund or promotion fund that are generated by a participating business.

In May of 2013, A-S 116 Precinct Line Road/North Tarrant Parkway, Ltd. proposed a plan to develop 183,000 square feet of commercial space on 26.94 acres of land at the southwest corner of N. Tarrant Parkway and Precinct Line Road, which would include a 123,000 square foot Kroger Marketplace representing a \$23.3M Capital Investment. In order to solidify the project and offset excessive grading costs, the City entered into a tax rebate agreement. The agreement rebates 50% of the ad valorem tax increment and 50% of the local general fund sales tax over a ten-year period, not to exceed \$1,780,460. This agreement is in the 7th year of a 10 year term.

In December 2019, the City approved an Economic Development agreement with MM City Point 53, LLC, the developer of City Point which will include a mix of uses including 60,000 square feet of commercial space, a hotel and multiple residential uses. The City agreed to rebate two percent (2%) of the sales tax revenue generated from the Commercial Zones of the City Point Development starting in year 2024 for a period of ten years, or until the amount of the grant reaches \$2,400,000 whichever occurs first.

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. As of March 2023 the hotel expects to open in early to mid-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. The theme park is expected to open in 2025.

In March 2023, the City approved an Economic Development agreement with Cromwell Hospitality, LP to develop a four-story, 120-room minimum Marriott TownePlace Suites hotel. The City agreed to reimburse 50% of local ad valorem tax revenue and 100% of local hotel occupancy tax revenue for a period of 10 years not to exceed \$3.01 million beginning from the date of opening the hotel. Construction shall commence no later than July 23, 2024.

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 28.56% of the 2022-2023 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 2023 was \$13,616,004. TIF 3 billed \$28,931.96 to taxing jurisdictions in fiscal year 2023. The captured taxable value in fiscal year 2024 is \$23,951,313. Based on this amount, the total TIF #3 billed amount to the taxing jurisdictions is \$46,389.50. The captured taxable value in fiscal year 2025, as reported by Tarrant Appraisal District as part of the City's July 2024 Certified Tax Roll, was \$90,082,938.

PUBLIC IMPROVEMENT DISTRICTS . . .

On September 9, 2019, City Council authorized the creation of the City Point PID. Pursuant to Chapter 372 of the Texas Local Government Code, a public improvement district (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 PID and are supplemental to services already provided by the City. The public improvements proposed by the City Point PID 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 City Point PID's public improvements. Rather, the City is only obligated to administer the annual assessments levied on City Point PID property. As discussed above, in 2019, the City also established TIF #3 to assist in funding the public improvements within the City Point PID. The purpose of this zone is to utilize revenue generated by the tax increment to offset a portion of the annual City Point PID assessment down to acceptable market levels and property owner affordability.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2024/25 Market Valuation Established by Tarrant Appraisal District (excluding totally exempt property)		\$ 11,117,495,659
Less Exemptions/Reductions at 100% Market Value:		
Residential Exemptions, Over 65 and Disabled	\$ 1,387,556,575	
Disabled Veterans	91,457,670	
Solar & Wind Powered Devices	585,110	
Absolute Exemptions	567,844,690	
Agriculture Land Use Reductions	514,114	
Freeport	17,426,612	
Pollution Control	203,432	<u>2,065,588,203</u>
2024/25 Certified Net Taxable Assessed Value		\$ 9,051,907,456
Plus Net Taxable Value in Arbitration		176,329,415
Plus Net Taxable Value in Incomplete Property		<u>145,129,541</u>
2024/25 Total Net Taxable Assessed Valuation		\$ 9,373,366,412
2024/25 Incremental Taxable Assessed Value of Real Property within Reinvestment Zone Number 3		<u>90,082,938</u>
2024/25 Taxable Assessed Valuation Net of Reinvestment Zone		\$ 9,283,283,474
General Obligation Debt Payable from Ad Valorem Taxes (as of 9/30/2024)		
General Obligation Bonds	\$ 75,280,000	
Certificates of Obligation	54,405,000	
The Certificates	<u>5,140,000</u> ⁽²⁾	
General Obligation Debt Payable from Ad Valorem Taxes		\$ 134,825,000
Less: Self - Supporting Debt ⁽¹⁾		
Golf Course	\$ 2,835,000	
Aquatic Park	8,400,000 ⁽³⁾	
Water and Sewer	21,440,000	
Drainage	895,000	
Park Development	<u>3,310,000</u>	<u>36,880,000</u>
Net General Obligation Debt Payable from Ad Valorem Taxes		<u>\$ 97,945,000</u>
Interest and Sinking Fund as of 9/30/2024		\$ 1,656,788
Ratio Net General Obligation Tax Debt to Total Net Taxable Assessed Valuation		1.04%
2025 Estimated Population - 73,311		
Per Capita Taxable Assessed Valuation - \$127,858		
Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - \$1,336		

- (1) 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.
- (2) Preliminary, subject to change.
- (3) Includes the Certificates. Preliminary, subject to change.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2025		2024		2023	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 7,358,042,672	66.18%	\$ 6,571,255,322	64.21%	\$ 5,838,278,639	64.57%
Real, Residential, Multi-Family	1,498,277,398	13.48%	1,473,055,327	14.39%	1,299,450,912	14.37%
Real, Vacant Lots/Tracts	115,899,074	1.04%	113,300,872	1.11%	109,555,473	1.21%
Real, Acreage (Land Only)	103,192	0.00%	103,731	0.00%	128,964	0.00%
Real, Farm and Ranch Improvements	3,590,556	0.03%	4,340,887	0.04%	3,435,130	0.04%
Real, Commercial	1,561,962,191	14.05%	1,521,007,432	14.86%	1,369,153,673	15.14%
Real, Industrial	37,798,071	0.34%	35,428,221	0.35%	34,289,102	0.38%
Real, Oil, Gas and Mineral Reserve	8,250,381	0.07%	59,393,340	0.58%	29,787,970	0.33%
Real and Tangible Personal, Utilities	119,167,630	1.07%	88,637,420	0.87%	61,045,703	0.68%
Tangible Personal, Commercial	305,388,023	2.75%	249,139,135	2.43%	170,041,355	1.88%
Tangible Personal, Industrial	34,018,294	0.31%	33,911,066	0.33%	34,255,303	0.38%
Tangible Personal, Mobile Homes	3,426,830	0.03%	3,459,283	0.03%	3,399,983	0.04%
Real Property, Inventory	71,571,347	0.64%	80,666,993	0.79%	89,091,490	0.99%
Total Appraised Value Before Exemptions	\$ 11,117,495,659	100.00%	\$ 10,233,699,029	100.00%	\$ 9,041,913,697	100.00%
Less: Total Exemptions/Reductions	(2,065,588,203)		(1,912,566,141)		(1,720,243,906)	
Certified Net Taxable Assessed Value	\$ 9,051,907,456		\$ 8,321,132,888		\$ 7,321,669,791	
Net Taxable Value in Arbitration	321,458,956		442,442,692		362,725,185	
Total Net Taxable Assessed Value	\$ 9,373,366,412		\$ 8,763,575,580		\$ 7,684,394,976	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2022		2021	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 5,370,570,560	64.86%	\$ 4,654,152,052	64.21%
Real, Residential, Multi-Family	1,017,788,190	12.29%	875,457,388	12.08%
Real, Vacant Lots/Tracts	108,454,236	1.31%	112,480,303	1.55%
Real, Acreage (Land Only)	17,896,657	0.22%	137,560	0.00%
Real, Farm and Ranch Improvements	3,544,591	0.04%	2,505,468	0.03%
Real, Commercial	1,299,409,954	15.69%	1,275,208,015	17.59%
Real, Industrial	32,975,644	0.40%	23,843,096	0.33%
Real, Oil, Gas and Mineral Reserve	8,295,160	0.10%	7,594,010	0.10%
Real and Tangible Personal, Utilities	68,578,074	0.83%	56,873,852	0.78%
Tangible Personal, Commercial	239,483,926	2.89%	140,802,395	1.94%
Tangible Personal, Industrial	38,534,219	0.47%	39,635,755	0.55%
Tangible Personal, Mobile Homes	3,465,641	0.04%	3,638,736	0.05%
Real Property, Inventory	70,649,404	0.85%	56,159,887	0.77%
Total Appraised Value Before Exemptions	\$ 8,279,646,256	100.00%	\$ 7,248,488,517	100.00%
Less: Total Exemptions/Reductions	(1,584,157,454)		(1,292,065,053)	
Certified Net Taxable Assessed Value	\$ 6,695,488,802		\$ 5,956,423,464	
Net Taxable Value in Arbitration	270,006,277		561,100,600	
Total Net Taxable Assessed Value	\$ 6,965,495,079		\$ 6,517,524,064	

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
2021	70,380 ⁽¹⁾	\$ 6,517,524,064	\$ 92,605	\$ 92,732,364	1.42%	\$ 1,318
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	9,373,366,412	127,858	87,980,000 ⁽⁵⁾	0.94% ⁽⁵⁾	1,200 ⁽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 TIF 3.

(4) Excludes self-supporting debt.

(5) Projected. Included 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
2021	\$ 0.57570	\$ 0.34361	\$ 0.23209	\$ 37,064,012	94.43%	94.98%
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	0.48939	0.31358	0.17581	41,274,082	95.53% ⁽¹⁾	95.53% ⁽¹⁾
2025	0.48939	0.33143	0.15796	42,869,895	In Process of Collections	

(1) Preliminary information as of September 30, 2024, provided by City staff.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2024/25 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
S2 8500 Harwood LLC	Real Estate Multi Family	\$ 114,800,000	1.22%
Star Delano LLC/Star Meadows LLC	Real Estate Multi Family	101,500,000	1.08%
26 At City Point LLC	Real Estate Multi Family	101,050,000	1.08%
Company One LLC	Real Estate Multi Family	77,300,000	0.82%
Silver Creek II LLC	Real Estate Multi Family	70,300,000	0.75%
Sovereign at Hometown LLC	Real Estate Multi Family	68,600,000	0.73%
Cavalli At Iron Horse Station POE LLC	Real Estate Multi Family	67,800,000	0.72%
Frontline Shadow Creek LP/Frontline Aspen Creek LP	Real Estate Multi Family	64,500,000	0.69%
SPI Hometown 316 DE LLC	Real Estate Multi Family	63,400,000	0.68%
Oncor Electric Delivery Co LLC	Electric Utility	1,599,013	0.02%
		<u>\$ 730,849,013</u>	<u>7.80%</u>

GENERAL OBLIGATION DEBT LIMITATION . . . Neither State law nor the City's Home Rule Charter currently impose a limitation on the amount of general obligation debt the City may incur; however, see "THE CERTIFICATES -- Tax Rate Limitation" regarding limitations on the City's maximum ad valorem tax rate.

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	2024/25	2024/25	Total	Estimated	City's	Authorized
	Taxable		Funded		%	Overlapping
	Assessed	Tax	Debt	%	Funded Debt	Debt as of
	Valuation	Rate	9/30/2024	Applicable	As of 9/30/2024	9/30/2024
City of North Richland Hills	\$ 9,373,366,412 ⁽¹⁾	\$ 0.489389	\$ 97,945,000 ⁽²⁾	100.00%	\$ 97,945,000 ⁽²⁾	\$ -
Birdville Independent School District	15,784,326,487	1.198300	621,060,000	49.51%	307,486,806	-
Hurst-Eules-Bedford Independent School District	19,881,980,757	0.921100	837,940,000	0.06%	502,764	397,300,000
Keller Independent School District	27,391,727,523	1.085200	736,234,989	3.78%	27,829,683	-
Tarrant County	289,157,254,040	0.187500	345,130,000	3.16%	10,906,108	205,600,000
Tarrant County Hospital District	289,640,276,553	0.182500	440,020,000	3.16%	13,904,632	350,000,000
Tarrant County College District	317,260,797,092	0.112280	569,915,000	3.16%	18,009,314	125,000,000
Total Direct and Overlapping Tax Supported Debt					<u>\$ 476,584,307</u>	
Ratio of Direct and Overlapping Tax Supported Debt to Taxable Assessed Valuation					5.08%	
Per Capita Direct and Overlapping Tax Supported Debt					\$ 6,500.86	

- (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 3.
- (2) Projected, net of self-supporting debt. Preliminary, subject to change.

DEBT INFORMATION

TABLE 7 - PRO FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended	Outstanding Debt			The Certificates ⁽¹⁾			Total	Total Outstanding	Less: Self-Supporting W&S Debt	Less: Self-Supporting Aquatic Debt ⁽²⁾	Less: Self-Supporting Golf Debt	Less: Self-Supporting Drainage Debt	Supporting Park Development Debt	Supporting Debt Service	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total									
2025	\$ 12,725,000	\$ 4,692,600	\$ 17,417,600	\$ 255,000	\$ 149,451	\$ 404,451	\$ 17,822,052	\$ 2,453,537	\$ 958,010	\$ 297,337	\$ 184,800	\$ 421,005	\$ 13,507,362		
2026	12,350,000	4,230,928	16,580,928	255,000	227,675	482,675	17,063,603	2,383,795	1,011,276	291,059	175,513	410,505	12,791,456		
2027	11,820,000	3,763,058	15,583,058	260,000	214,800	474,800	16,057,858	2,307,338	943,340	284,449	169,975	400,005	11,952,751		
2028	10,985,000	3,297,132	14,282,132	260,000	201,800	461,800	14,743,932	2,229,352	875,711	272,634	163,125	388,555	10,814,555		
2029	10,265,000	2,863,698	13,128,698	260,000	188,800	448,800	13,577,498	2,104,710	843,906	246,705	161,150	376,155	9,844,871	44.08%	
2030	9,625,000	2,468,796	12,093,796	260,000	175,800	435,800	12,529,596	1,918,721	748,735	241,494	139,325	363,635	9,117,685		
2031	9,220,000	2,097,124	11,317,124	260,000	162,800	422,800	11,739,924	1,846,282	715,294	236,187	25,525	350,995	8,565,641		
2032	8,870,000	1,746,505	10,616,505	260,000	149,800	409,800	11,026,305	1,787,430	594,144	225,844	-	221,825	8,197,063		
2033	7,315,000	1,442,926	8,757,926	260,000	136,800	396,800	9,154,726	1,487,732	575,075	210,604	-	216,125	6,665,191	76.09%	
2034	6,820,000	1,179,731	7,999,731	260,000	123,800	383,800	8,383,531	1,443,690	555,988	205,406	-	210,425	5,968,022		
2035	4,540,000	973,608	5,513,608	255,000	110,925	365,925	5,879,533	1,366,414	532,006	200,156	-	204,725	3,576,231		
2036	4,535,000	815,469	5,350,469	255,000	98,175	353,175	5,703,644	1,323,963	508,231	194,797	-	198,906	3,477,747		
2037	4,255,000	663,972	4,918,972	255,000	85,425	340,425	5,259,397	1,178,659	371,956	189,219	-	192,969	3,326,594		
2038	3,955,000	522,016	4,477,016	255,000	72,675	327,675	4,804,691	1,135,066	353,159	183,531	-	-	3,132,934		
2039	3,515,000	392,744	3,907,744	255,000	59,925	314,925	4,222,669	831,269	314,925	177,844	-	-	2,898,631	92.46%	
2040	3,150,000	277,309	3,427,309	255,000	47,175	302,175	3,729,484	630,075	302,175	-	-	-	2,797,234		
2041	2,890,000	169,569	3,059,569	255,000	35,700	290,700	3,350,269	606,250	290,700	-	-	-	2,453,319		
2042	2,005,000	75,700	2,080,700	255,000	25,500	280,500	2,361,200	582,169	280,500	-	-	-	1,498,531		
2043	845,000	17,244	862,244	255,000	15,300	270,300	1,132,544	-	270,300	-	-	-	862,244	100.00%	
2044	-	-	-	255,000	5,100	260,100	260,100	-	260,100	-	-	-	-	-	
	\$ 129,685,000	\$ 31,690,128	\$ 161,375,128	\$ 5,140,000	\$ 2,287,426	\$ 7,427,426	\$ 168,802,554	\$ 27,616,452	\$ 11,305,532	\$ 3,457,266	\$ 1,019,413	\$ 3,955,830	\$ 121,448,062		

(1) Average life of the issue - 9.599 years. Interest on the Certificates has been calculated at the average rate of 3.76% for purposes of illustration. Preliminary, subject to change.

(2) Includes the Certificates. Preliminary, subject to change.

TABLE 8 – INTEREST AND SINKING FUND BUDGET PROJECTION ⁽¹⁾

Tax-Supported Net Debt Service Requirements, Fiscal Year Ending 9/30/24	\$	13,507,362
Interest and Sinking Fund Balance, 9/30/24	\$	1,418,383 ⁽¹⁾
Interest and Sinking Fund Tax Levy		11,780,946
Transfer from Fleet Services		216,300
Transfer from Park Services		421,005
Transfer from Drainage Services		184,800
Estimated Interest Income		100,700
		<u>14,122,134</u>
Estimated Balance 9/30/25	\$	<u>614,772</u>

(1) Preliminary information provided by City staff.

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, TIF, 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 9-30-24	\$	12,681,457 ⁽¹⁾
Less: System General Obligation Bond Requirements, 2025 Fiscal Year		2,453,537
Balance	\$	<u>10,227,920</u>
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 9-30-24	\$	1,440,182 ⁽¹⁾
Less: System General Obligation Bond Requirements, 2025 Fiscal Year		958,010
Balance	\$	<u>482,172</u>
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 9-30-24	\$	485,697 ⁽¹⁾
Golf Course Center General Obligation Requirements, 2025 Fiscal Year		297,337
Balance	\$	<u>188,360</u>
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 9-30-24	\$	1,657,184 ⁽¹⁾
Less: System General Obligation Bond Requirements, 2025 Fiscal Year		184,800
Balance	\$	<u>1,472,384</u>
Percentage of Drainage Utility System General Obligation Debt Self-Supporting		100.00%

Park Development System

Revenues Available from Park Development System, Fiscal Year Ended 9-30-24	\$	3,660,722 ⁽¹⁾
Less: System General Obligation Bond Requirements, 2025 Fiscal Year		421,005
Balance	\$	<u>3,239,717</u>
Percentage of Park Development System General Obligation Debt Self-Supporting		100.00%

(1) Preliminary year end information. Subject to change.

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 general obligation debt in fiscal year 2025.

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 9, 2024 and includes new project funding of approximately \$17,650,422 for streets, sidewalks, drainage, water and sewer, parks and recreation, aquatic park, facility expansions, and major capital equipment, a portion of which will be funded by the Certificates. 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 operations, the terms of which expire 2024 through 2025. 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, 2023, the value of the lease liabilities was \$72,047 for governmental activities and \$82,625 for business-type activities. Incremental borrowing rates of 0.9160 percent to 3.1570 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 \$152,386 for governmental activities and \$266,653 for business-type activities and had accumulated amortization of \$84,735 for governmental activities and \$190,041 business-type activities.

Purpose	Interest Rate	Principal Amount
Governmental activities	0.9160%	\$ 72,047
Business-type activities	0.9160% - 3.1570%	82,625
		<u>\$ 154,672</u>

Annual lease payments for the capital lease are as follows:

Fiscal Year Ending September 30,	Governmental Activities		Business-Type Activities	
2024	\$ 38,027	\$ 393	\$ 80,402	\$ 1,152
2025	22,345	68	2,280	7
	<u>\$ 60,372</u>	<u>\$ 461</u>	<u>\$ 82,682</u>	<u>\$ 1,159</u>

PENSION FUND

The City of North Richland Hills participates as one of 920 plans in the nontraditional, joint contributory, hybrid agent multiple-employer defined benefit pension plan administered by the Texas Municipal Retirement System ("TMRS"). TMRS is an agency 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 municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code.

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 benefit is calculated as if the sum of the employee's accumulated contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of member's deposits 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

As of the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or beneficiaries currently receiving benefits	456
Inactive Employees entitled to but not yet receiving benefits	372
Active Employees	<u>554</u>
	1,382

Contribution . . . The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, 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 actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City or North Richland Hills were 16.81% and 17.19% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2023 were \$7,447,454 and were equal to the required contributions.

Net Pension Liability . . . The City's Net Pension Liability ("NPL") was measured as of December 31, 2022, 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, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
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 the Public Safety table used for males and 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. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4- year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP 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, 2014 to December 31, 2018. The assumptions were adopted in 2019 and first used in the December 31, 2019, 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 using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>of Return (Arithmetic)</u>
Global Equity	35.00%	7.70%
Core Fixed Income	6.00%	4.90%
Non-Core Fixed Income	20.00%	8.70%
Other Public and Private Markets	12.00%	8.10%
Real Estate	12.00%	5.80%
Hedge Funds	5.00%	6.90%
Private Equity	10.00%	11.80%
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 employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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, 2023, 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, 2022	\$ 302,254,696	\$ 298,033,983	\$ 4,220,713
Changes for the year:			
Service cost	7,471,479	-	\$ 7,471,479
Interest	20,215,755	-	20,215,755
Difference between expected and actual experience	1,618,053	-	1,618,053
Contributions - employer	-	6,841,395	(6,841,395)
Contributions - employee	-	2,848,888	(2,848,888)
Net investment income	-	(21,744,788)	21,744,788
Benefit payments, including refunds of employee contributions	(12,995,547)	(12,995,547)	-
Administrative expense	-	(188,258)	188,258
Other changes	-	224,647	(224,647)
Net changes	16,309,740	(25,013,663)	41,323,403
Balance at September 30, 2023	\$ 318,564,436	\$ 273,020,320	\$ 45,544,116

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	\$ 90,195,582	\$ 45,544,116	\$ 8,902,996

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

For the year ended September 30, 2023, the City recognized pension expense of \$11,385,806.

At September 30, 2023, 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	\$ 18,768,893	\$ -
Difference in assumption changes	44,717	-
Difference between expected and actual experience	3,404,180	20,139
Contributions subsequent to the measurement date	<u>5,704,280</u>	<u>-</u>
Total	<u>\$27,922,070</u>	<u>\$ 20,139</u>

\$5,704,280 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, 2024. 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
2024	\$ 2,139,573
2025	5,838,005
2026	5,756,074
2027	<u>8,463,999</u>
Total	<u>\$ 22,197,651</u>

FINANCIAL INFORMATION

TABLE 12 – CHANGES IN NET POSITION

	Fiscal Year Ended September 30,				
	2023	2022	2021	2020	2019
Revenues:					
Program Revenue:					
Charges for Services	\$ 13,363,845	\$ 14,700,199	\$ 14,025,581	\$ 11,293,009	\$ 13,819,402
Operating Grants and Contributions	11,629,266	13,154,097	9,531,551	9,705,738	8,356,606
Capital Grants and Contributions	3,150,822	455,039	244,322	553,335	787,186
General Revenue:					
Property Tax	39,004,572	37,241,474	36,030,318	34,618,987	34,416,931
Sales Tax	27,620,289	26,399,204	23,960,318	22,014,072	20,438,448
Other Taxes/Fees	4,485,873	4,235,783	4,000,484	4,197,853	4,749,116
Investment Earnings	10,761,970	(786,588)	109,853	2,032,166	2,670,106
Miscellaneous	780,358	(3,979,629)	983,598	2,379,746	3,101,123
Total Revenue	<u>\$ 110,796,995</u>	<u>\$ 91,419,579</u>	<u>\$ 88,886,025</u>	<u>\$ 86,794,906</u>	<u>\$ 88,338,918</u>
Expenses:					
General Government	\$ 21,587,224	\$ 14,110,928	\$ 16,217,730	\$ 18,402,693	\$ 14,795,971
Public Safety	50,266,194	29,248,967	31,352,267	30,185,432	34,641,711
Public Works	9,938,628	9,595,172	10,915,178	7,988,277	8,100,775
Parks and Recreation	14,938,648	10,137,484	11,744,572	12,150,887	12,988,181
Interest on Long-Term Debt	4,440,585	4,011,988	3,681,268	4,873,291	3,452,789
Total Expenses	<u>\$ 101,171,279</u>	<u>\$ 67,104,539</u>	<u>\$ 73,911,015</u>	<u>\$ 73,600,580</u>	<u>\$ 73,979,427</u>
Increase (Decrease) in Net Position before Transfers	\$ 9,625,716	\$ 24,315,040	\$ 14,975,010	\$ 13,194,326	\$ 14,359,491
Transfers	4,657,924	1,379,404	2,733,649	(684,934)	3,616,377
Increase in Net Position	\$ 14,283,640	\$ 25,694,444	\$ 17,708,659	\$ 12,509,392	\$ 17,975,868
Net Position at Beginning of Year	288,589,085 ⁽¹⁾	273,562,322	255,853,663	243,344,271	225,368,403
Implementation of New Accounting Standard	-	-	-	-	-
Net Position at End of Year	<u>\$ 302,872,725</u>	<u>\$ 299,256,766</u>	<u>\$ 273,562,322</u>	<u>\$ 255,853,663</u>	<u>\$ 243,344,271</u>

(1) Restated

TABLE 12A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

Revenues	For Fiscal Year Ended September 30,				
	2023	2022	2021	2020	2019
Taxes, Penalties and Interest	\$ 43,308,394	\$ 39,263,806	\$ 36,511,959	\$ 34,142,184	\$ 32,150,160
Licenses and Permits	2,009,138	3,083,283	3,212,074	2,581,001	2,550,598
Intergovernmental	3,031,932	2,869,295	2,899,390	6,645,819	2,903,133
Charges for Services	2,820,125	2,371,158	2,177,065	2,312,363	2,129,088
Investment Income	1,239,101	(202,876)	70,589	488,956	578,118
Fines and Forfeitures	1,334,004	1,974,887	2,005,086	1,840,751	2,088,401
Miscellaneous	375,432	489,352	333,288	353,287	226,160
Total Revenues	\$ 54,118,126	\$ 49,848,905	\$ 47,209,451	\$ 48,364,361	\$ 42,625,658
Expenditures					
General Government	\$ 13,551,468	\$ 9,901,085	\$ 9,367,082	\$ 10,335,279	\$ 10,204,120
Public Safety	33,284,309	30,750,543	29,514,907	29,441,281	28,181,496
Public Works	3,422,075	2,838,477	3,588,028	3,278,404	3,210,818
Culture and Recreation	3,944,118	3,724,342	2,710,874	3,638,421	3,728,689
Capital Outlay	72,032	2,565,619	5,188,230	-	33,865
Total Expenditures	\$ 54,274,002	\$ 49,780,066	\$ 50,369,121	\$ 46,693,385	\$ 45,358,988
Excess (Deficiency) of Revenues over Expenditures	\$ (155,876)	\$ 68,839	\$ (3,159,670)	\$ 1,670,976	\$ (2,733,330)
Proceeds from Sale of Assets	\$ 3,087	\$ 7,625	\$ 8,167	\$ 37,233	\$ 89,096
Net Transfers In (Out)	4,787,022	1,863,961	3,437,502	1,939,838	4,798,953
Fund Balance - October 1	21,557,370	19,616,945	19,330,945	15,682,898	13,528,179
Fund Balance - September 30	<u>\$ 26,191,603</u> ⁽¹⁾	<u>\$ 21,557,370</u>	<u>\$ 19,616,945</u>	<u>\$ 19,330,945</u>	<u>\$ 15,682,898</u>

(1) Of the balance, \$1,891,515, was restricted or assigned and \$24,300,087 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 imposes and levies a one percent (1%) Local Sales and Use Tax within the City pursuant to the Municipal Sales and Use Tax Act, Texas Code, Chapter 321; 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 District 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.

The table 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
2020	\$ 11,019,419	31.43%	\$ 0.1691	\$ 161
2021	11,991,880	32.35%	0.1840	\$ 170
2022	13,219,393	33.58%	0.1898	184
2023	13,507,630	32.90%	0.1758	186
2024	14,253,865 ⁽¹⁾	34.53%	0.1626	194

(1) Collections reported by State Comptroller's Office through September 30, 2024. 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	<u>6.25¢</u>
Total	<u>8.25¢</u>

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 through the collection of sales taxes. Sales tax revenues typically fluctuate in direct proportion to changes in general and local economic conditions, especially when compared to changes in the ad valorem tax base. In response to such economic changes, sales tax revenues also tend to change more quickly than the value of property against which ad valorem taxes are levied.

FINANCIAL POLICIES

Basis of Accounting . . . The City's accounting records of the governmental fund revenues and expenditures are recognized on the modified accrual basis. Revenues are recognized in the accounting period in which they are available and measurable. Expenditures are 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 Annual Comprehensive Financial Report for the Year Ended September 30, 2023").

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 99.5% collections ratio and the 0.5% non-collectible factor is accounted for in the General Fund.

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

Budgetary Procedures . . . The City Charter establishes the fiscal year as the twelve-month period beginning 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 State law and in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change.

LEGAL INVESTMENTS . . . 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 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 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) Certificates 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; (15) aggregate repurchase agreement transactions entered into by an investing entity in conformity with the provisions of Section 2256.011 of the Public Funds Investment Act; and (16) 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 September 30, 2024, the City's investable funds were invested in the following categories:

Type of Investment	Maturity Value	% of Portfolio
Treasuries	\$ 12,311,872	6.26%
Agency Notes	36,787,783	18.69%
Municipal Bond/Notes	17,778,491	9.03%
Commercial Paper	5,190,861	2.64%
TexPool Money Market	108,608,105	55.19%
Texas Range	8,066,440	4.10%
Tex Connect	8,043,818	4.09%
	<u>\$ 196,787,369</u>	<u>95.91%</u>

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 TexasTERM Local Government Investment Pool (the "Pool" or "TexasTERM") 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. TexasTERM portfolios seek to provide these investors with safety, flexibility and competitive yields. Texas TERM offers a series of professionally manage portfolios that are available to government entities in the State of Texas. The Pool offers three distinct investment options, Texas DAILY, TexasTERM and TexasTERM Certificates of Deposit Purchase Program. Since its inception, TexasTERM 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 opinion (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 form 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 Ordinance subsequent to the issuance of the Certificates. The Ordinance contains 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 Certificates to be includable in the gross income of the owners thereof from the date of the issuance of the Certificates.

Bond Counsel's opinions are not a guarantee of a result, but represent its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the 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, 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 financial asset securitization investment trust ("FASIT"), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than \$1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer's applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the 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 CERTIFICATES . . . The initial public offering price of certain Certificates (the "Discount Certificate") 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 Certificate (assuming that a substantial amount of the Discount Certificate 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 Certificate. A portion of such original issue discount allocable to the holding period of such Discount Certificate by the initial purchaser will, upon the disposition of such Discount Certificate (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 Certificate, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Certificate 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 Certificate by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Certificate 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 Certificate over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Certificate 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 Certificate. 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 Certificate, the yield based on a call date that results in the lowest yield on the Certificates).

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 Certificates.

CONTINUING DISCLOSURE OF INFORMATION

In the 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 2024 and will update and provide audited financial statements within 12 months after the end of each fiscal year ending in and after 2024. 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) Certificate 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; (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) and the definition of Financial Obligation in such clauses to have the meanings ascribed to them in SEC Release No. 34-83885, dated August 20, 2018.

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 Certificates, 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.

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 companies furnishing the ratings. 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 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) 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. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - Ratings" herein. 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 capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the 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 opinion 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 opinion 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 a certificate 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 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 Ordinance contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and Ordinance. 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.

FINANCIAL ADVISOR

Hilltop Securities Inc. ("HilltopSecurities") is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. HilltopSecurities, in its capacity as Financial Advisor, 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 Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial 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 Financial 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") to purchase the Certificates at the interest rates shown on the cover page of the Official Statement at a price of par plus a cash premium (if any) of \$ _____. The Initial Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial Purchaser. 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.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Certificates, the City will furnish the Initial Purchaser 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 to be 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 the date of the last audited financial statements of the City.

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 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 Purchaser.

Mayor
City of North Richland Hills, Texas

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 May 2023. 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 two-year staggered terms and elections are held annually in May.

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

<u>Year</u>	<u>Population</u>	<u>Source</u>	<u>Year</u>	<u>Population</u>	<u>Source</u>
1970	16,514	(1)	2016	66,530	(2)
1980	30,592	(1)	2017	67,120	(2)
1990	45,895	(1)	2018	67,530	(2)
2000	56,500	(1)	2019	67,980	(2)
2010	63,343	(1)	2020	69,915	(1)
2011	63,490	(2)	2021	70,380	(2)
2012	63,780	(2)	2022	71,904	(2)
2013	64,240	(2)	2023	72,587	(2)
2014	65,690	(2)	2024	73,311	(2)
2015	66,300	(2)	2025	73,311	(3)

(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 73,311, 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 40.2, 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 of 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 density, 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 and is expected to take 5 years to reach build out.

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:
 spending. In sum, the City experienced:

- A 6% increase in FY 2023/24 taxable sales over FY 2022/23.
- Construction development continues, with over 80 million in commercial and residential construction value permitted in FY 2022/23, and another \$164 million in FY 2023/24.
- An estimated 227 single family starts in FY 2023/24.
- An unemployment rate of 3.8% as of August 2024, slightly below Tarrant County and the Dallas-Fort Worth region.
- Welcomed 154 new businesses in 2023, and on pace for 100 in 2024.

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 147,944 physical items in its collection, along with access to an additional 42,928 electronic items. The Library has a circulation reaching 600,000 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:

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

Selected historical enrollment figures in the District are as follows:

<u>Year</u>	<u>Enrollment</u>	<u>Year</u>	<u>Enrollment</u>
2006	22,488	2015	24,328
2007	22,063	2016	23,857
2008	22,576	2017	23,691
2009	22,897	2018	23,614
2010	23,545	2019	23,576
2011	23,711	2020	22,736
2012	24,190	2021	22,505
2013	24,326	2022	22,637
2014	24,389	2023	22,219

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

<u>Employer</u>	<u>Product</u>	<u>Estimated Number of Employees</u>
City of North Richland Hills	Municipal Government	820
Birdville ISD	Independent School District	751
Wal-Mart Supercenters	Retail Store	740
Medical City North Hills	Hospital/Medical Care	615
Tarrant County College-NE Campus	Community College	492
Health Markets	Life/Health Insurance	452
Tyson Prepared Foods	Food Processing	380
Prestige Ameritech	Manufacturing	300

Source: City Records.

BUILDING PERMIT INFORMATION

<u>Fiscal Year</u>	<u>Construction</u>				<u>Total Units</u>	<u>Total Value</u>
	<u>Commercial</u>		<u>Residential</u>			
	<u>Number of Units</u>	<u>Value</u>	<u>Number of Units</u>	<u>Value</u>		
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

Source: City Records.

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APPENDIX B

EXCERPTS FROM THE
CITY OF NORTH RICHLAND HILLS, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2023

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, 2023, 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.

The information contained in this Appendix is provided as of the respective dates and for the periods specified herein and is subject to change without notice, and the filing of the Appendix does not, under any circumstances, imply that there has been no change in the affairs of the City since the specified date as of which such information is provided. The historical information set forth in this Appendix is not necessarily indicative of future results or performance due to various factors, including those discussed in this Official Statement.

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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, 2023, 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, 2023, 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.

Emphasis of Matter

The 2022 financial statements of the governmental activities, before they were restated for the matter discussed in *Note III - G*, were audited by other auditors, and their report thereon, dated March 14, 2023, expressed unmodified opinions on those financial statements. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual fund financial statements and 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,LLP

**Dallas, Texas
April 15, 2024**

CITY OF NORTH RICHLAND HILLS, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2023 by \$409.4 million (net position).
- The City's total net position increased by \$18.1 million in fiscal year 2023 from the restated beginning net position of \$391.4 million. Additional details of this change may be found beginning on page 19 (Statement of Activities).
- As of September 30, 2023, the City's governmental funds reported combined fund balances of \$129,327,858, which represents an increase of \$21.4 million in comparison to the prior fiscal year's ending balance.
- Approximately 22.7% of total governmental fund balance, or \$29,301,450, 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 60 days or 15% of the following year's appropriated budgeted expenditures. This objective was met at year end.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$24,300,087 or 42.7% of General Fund actual expenditures, including transfers out, for 2023. This unassigned balance represents 40.4% of the fiscal year 2024 adopted budget.
- The City's total debt increased by approximately \$12.2 million during the fiscal year 2023. This is primarily due to the scheduled bond principal payments of \$13.1 million and the issuance of \$25.5 million in General Obligation Bonds ("GO's") and Certificates of Obligation ("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.

CITY OF NORTH RICHLAND HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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.

CITY OF NORTH RICHLAND HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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 \$409,443,004 as of September 30, 2023. Analyzing the net position of governmental and business-type activities separately, governmental activities total net position was \$302,872,725 and business-type activities total net position was \$106,570,279. 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 (85.3%) 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, 2023 and 2022. 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, 2023 and 2022

	Governmental Activities		Business-Type Activities		Total	
	2023	2022 *	2023	2022 *	2023	2022 *
Current and other assets	\$ 163,680	\$ 143,065	\$ 68,251	\$ 57,677	\$ 231,931	\$ 200,742
Capital, lease and subscription assets, net	336,753	330,247	85,499	83,723	422,252	413,970
Total Assets	500,433	473,312	153,750	141,400	654,183	614,712
Total Deferred Outflows of Resources	26,537	10,490	5,263	1,700	31,800	12,190
Long-term liabilities	180,709	152,395	41,381	30,957	222,089	183,352
Other liabilities	27,854	5,318	9,521	5,314	37,374	10,632
Total Liabilities	208,562	157,713	50,902	36,271	259,464	193,984
Total Deferred Inflows of Resources	15,535	26,832	1,542	4,037	17,077	30,869
Net Position:						
Net Investments in capital assets	278,154	251,882	71,302	64,814	349,457	316,696
Restricted	19,035	14,551	3,947	5,320	22,982	19,871
Unrestricted	5,684	32,824	31,321	32,658	37,004	65,482
Total Net Position	\$ 302,873	\$ 299,257	\$ 106,570	\$ 102,792	\$ 409,443	\$ 402,049

* 2022 balances have not been restated for Correction of Error

CITY OF NORTH RICHLAND HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Statement of activities - Governmental activities increased the City's restated net position by \$14.3 million in fiscal year 2023, and business-type activities increased net position by \$3.8 million. The following table presents the condensed government-wide statement of activities for the years ended September 30, 2023 and 2022.

	Changes in Net Position					
	Amounts shown in thousands (\$000's)					
	Governmental Activities		Business-Type Activities		Total	
	2023	2022 *	2023	2022 *	2023	2022 *
Revenues						
Program revenues:						
Charges for services	\$ 13,364	\$ 14,701	\$ 55,770	\$ 52,637	\$ 69,134	\$ 67,338
Operating grants and contributions	11,629	13,154	-	-	11,629	13,154
Capital grants and contributions	3,151	455	-	-	3,151	455
General revenues:						
Property tax	39,005	37,241	-	-	39,005	37,241
Sales tax	27,620	26,399	-	-	27,620	26,399
Mixed beverage	160	151	-	-	160	151
Franchise taxes	4,014	3,756	-	-	4,014	3,756
Occupancy taxes	312	329	-	-	312	329
Grants not restricted to specific programs	4,526	-	-	-	4,526	-
Unrestricted investment earnings	6,236	(787)	1,280	(301)	7,515	(1,088)
Gain on sale of capital assets	116	3,420	-	232	116	3,652
Miscellaneous	665	149	1,161	1,075	1,825	1,224
Total Revenue	110,797	98,968	58,211	53,643	169,008	152,611
Expenses:						
General government	21,587	13,689	-	-	21,587	13,689
Public safety	50,266	29,249	-	-	50,266	29,249
Culture and recreation	14,939	10,017	-	-	14,939	10,017
Public works	9,939	10,137	-	-	9,939	10,137
Interest and other fees	4,441	4,012	-	-	4,441	4,012
Utility	-	-	41,285	35,405	41,285	35,405
Aquatic park	-	-	5,206	4,472	5,206	4,472
Golf course	-	-	3,282	3,063	3,282	3,063
Total Expenses	101,171	67,105	49,774	42,940	150,945	110,045
Increase (decrease) in net position before transfers and special item	9,626	31,864	8,437	10,703	18,063	42,567
Transfers between governmental and business-type activities	4,658	1,379	(4,658)	(1,379)	-	-
Special item	-	(7,548)	-	-	-	(7,548)
Net increase (decrease) in net position	14,284	25,695	3,779	9,324	18,063	35,019
Net Position - Beginning of Year, As Previously Reported	299,257	273,562	102,792	93,468	402,049	367,030
Correction of Error (Note III - G)	(10,668)	-	-	-	(10,668)	-
Net Position - Beginning of Year, As Restated	288,590	273,562	102,792	93,468	391,381	367,030
Net Position - End of Year	\$ 302,873	\$ 299,257	\$ 106,570	\$ 102,792	\$ 409,444	\$ 402,049

* 2022 balances have not been restated for the Correction of Error

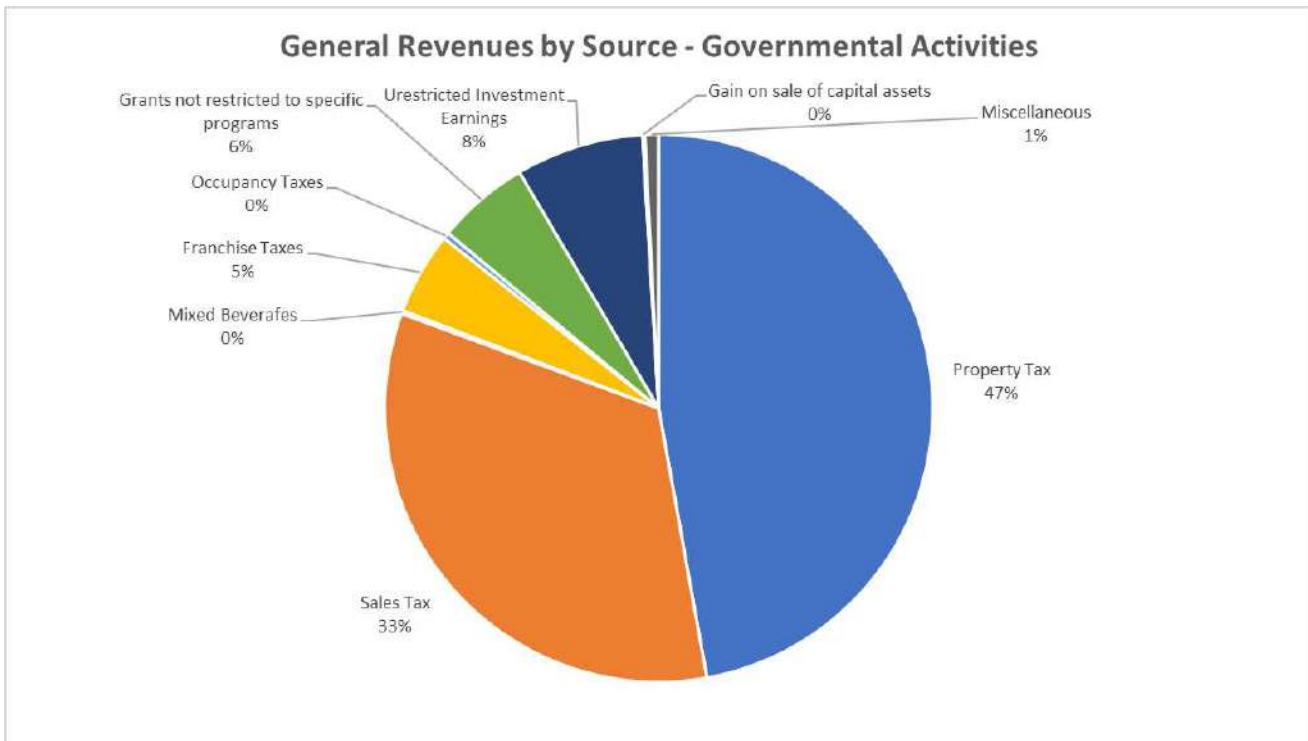
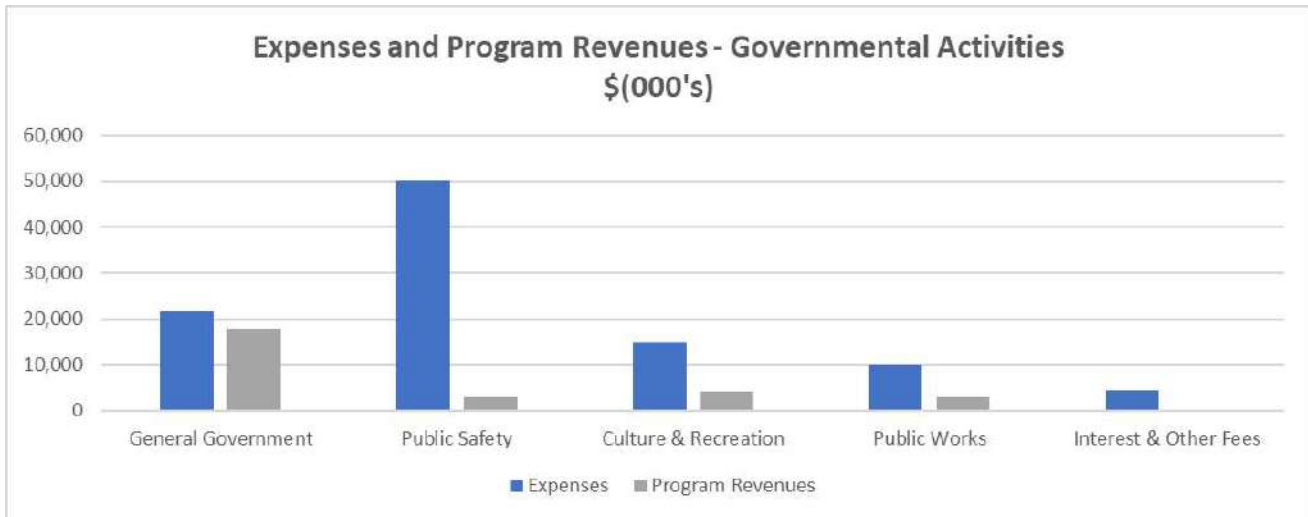
Governmental activities -In comparison to fiscal year 2022, overall assets for Governmental Activities increased \$27.1 million or 5.7% in 2023. Capital, lease and subscription assets, net of depreciation, increased \$6.5 million or 2.0% in 2023. This activity was related to capital improvement projects, specifically improvements and refurbishments to streets and roadways, drainage, sidewalks, and equipment replacements as well as park improvements, such as the new weather alert stations at several parks, playground equipment replacements, and the Trail and On-Road Safety project. Further, refurbishments to the library and NRH Centre facilities were undertaken as were several technology initiatives. Outstanding debt liabilities increased by \$6.6 million or 6.04 % in 2023. This increase was due to the annual debt service payment for all other outstanding debt and the issuance of the 2022 General Obligation and Certificates of Obligation bonds. Total liabilities also increased due to \$34.1 million increase in net pension liability.

Governmental activities increased the City's restated net position by approximately \$14.3 million in fiscal year 2023. The City had an increase in tax revenues of \$3.2 million during 2023. Property taxes increased \$1.8 million, sales tax increased by \$1.2 million, and franchise taxes increased by \$0.3 million. The property tax rate was decreased slightly from \$0.572184 to \$0.547972. In fiscal year 2023 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 4.6% as a result of continued gains in online sales due in part to the increases on retail prices from inflation and a continuation of home delivery retail shopping.

CITY OF NORTH RICHLAND HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Rising interest rates accounted for a \$7 million improvement in investment earnings. Capital Grants and Contributions increased approximately \$2.7 million or 592 % in fiscal year 2023. Significant projects included the North Texas Anti-Gang Center and other Public Safety program activities.

Governmental activities saw a total increase in expenses totaling approximately \$34.1 million or approximately 50.8% above 2022 levels. This increase is attributable to increases in general government, public safety and culture & recreation. Pension expense increased over \$10.7 million from prior year due to poor market performance during the measurement period. Debt service interest and other fees increased by approximately 10.7%. Refer to the fund level financial analysis section for further details.

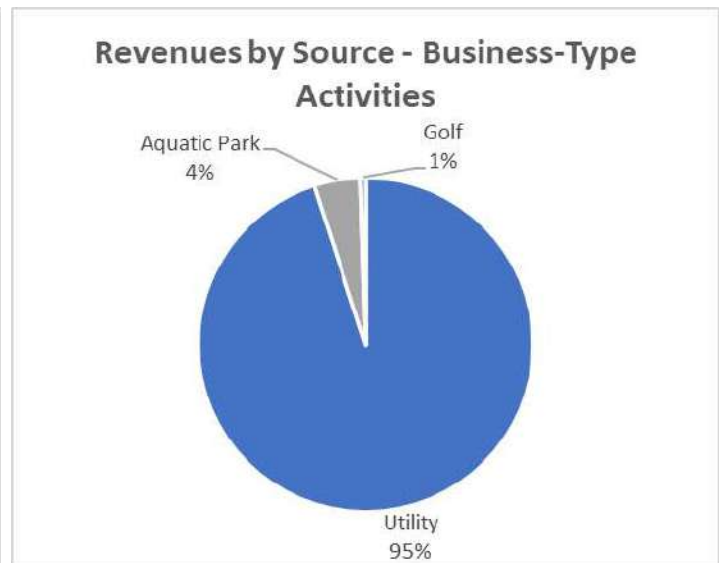
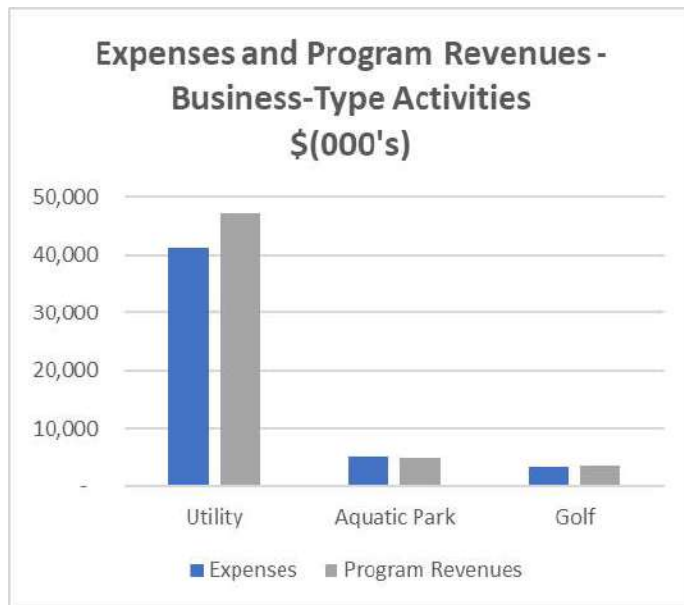


CITY OF NORTH RICHLAND HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Business-type activities – Business-type activities resulted in an increase to the City’s total net position of \$3.8 million in 2023. Total net revenue for Business-type activities was approximately \$8.4 million, with the Utility fund operations generating \$8.3 million of that total. Aquatic park generated \$(0.1) million in net revenue/(loss) and Golf Course generated \$0.13 million in net revenue. Transfers to other funds reduced the net revenue by \$4.7 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. Since its renovation in 2020, it has experienced increasing play during each of the past three fiscal years. The Aquatic park celebrated its 29th year of operation in 2023 and saw attendance drop in summer 2023 due to excessive high temperatures. Despite this hurdle, the park experienced increased per-attendee spending during the summer season on 2023 though attendance at the park decreased by 11% over prior year levels.

The Utility Fund generally experienced higher sales in the summer heat which increased revenues. However, increases in the wholesale provider costs for water and sewer services continue to put pressure on the fund. On the whole, the weather demonstrated how sensitive these business-type activities can be in regard to climate conditions.



CITY OF NORTH RICHLAND HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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, 2023, the City's governmental funds reported combined fund balances of \$129,327,858, an increase of \$21,427,000 in comparison with prior year. Unassigned fund balance of \$24,300,087 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 (\$97,369), 2) legally required to be maintained intact or to be used for a particular purpose (\$85,020,696), 3) committed for particular purposes (\$14,908,343), or 4) assigned for particular purposes (\$5,001,363).

The General Fund is the chief operating fund of the City. For fiscal year 2023, the General Fund unassigned fund balance was \$24,300,087 – an increase of \$5,021,627. Unassigned fund balance represents approximately 44.8% of total General Fund expenditures for 2023, while total fund balance represents 48.3%. The General Fund balance increase was due primarily to higher than anticipated taxes revenue, investment income, and intergovernmental revenues, while offset by an increase in spending.

The General Capital Projects fund increased governmental fund balance by approximately \$13.1 million. During fiscal year 2023, the City issued \$17.6 million in general obligation bonds and certificates of obligations for current and future capital projects. Of the fund's \$10.5 million expenditures, a significant portion can be attributed to improvements in the public street network including, completion of Sunset Road, Stonybrooke Drive, Nob Hill Drive, Dawn Drive, Southampton Drive, Pearl Street, Meadow Oak Drive, Hightower and Davis Traffic signalization, and various other street and sidewalk maintenance projects. Other projects include the addition of a poetry trail to Linda Spurlock Park, completion of the Cross Timbers playground replacement project, and the completion of Perry Outdoor Weather Warning system at six locations in the park system.

General Debt Service fund increased governmental fund balance by \$147,342. The increase is associated with increased property tax revenues and transfers from other funds, offset by an increase in the retirement of debt through principal and interest payments for 2023.

Parks and Recreation Development Corporation increased governmental fund balance by \$2,113,998 which is primarily due to an increase in sales tax revenues, investment income, and charges for services. Increase in revenues is a result of return to normal operations for the Parks and Recreation department as a whole with an increase in demand for these services.

The Grants Fund increased governmental fund balance by \$1,658,225. This resulted in an ending fund balance of \$1,301,624, as the fund had a deficit fund balance in 2022 of \$356,601. The increase was due primarily to transfers in from other funds and investment income as a result of improved market conditions.

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

CITY OF NORTH RICHLAND HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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 \$2,762,897. Modifications were made to specific revenue projections, based on known activities and observed collection trends throughout the fiscal year. The City continued steady growth, permitting another 115 new single-family homes, with an average value over \$450,000. With mortgage interest rates at levels not seen in over 20 years, housing permits experienced a decrease like many cities in the nation, with revenue from Licenses and Permits decreasing by \$616,178. Due to continued activity and the earlier than anticipated timing of projects, actual performance outpaced the revised estimate. Based on observed collection trends, estimated Sales Taxes collections were increased \$1,769,641. Fine & Forfeitures were decreased by \$783,871 based on projections. During the fiscal year, the City experienced lower than anticipated citation issuance, caused by specific activities related to some grant initiatives undertaken by the City and vacant positions.

An area with a significant change in the Revised from the Original Budget was Other Appropriations, which increased by \$2,147,409. This change included appropriations for increases to public safety and planned contributions to fund balance.

Final budget compared to actual results. Revenue sources saw positive variances in most operational categories with the planned appropriation of reserves not required. A net negative revenue variance of \$92,339 in the tax revenues grouping and a net positive variance of \$874,555 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, operating transfers out exceeded budget by \$350,090 due to increased spending on Information Technology requirements.

Capital, Lease, and Subscription Asset and Debt Administration

Capital, lease and subscription assets - At the end of fiscal year 2023, the City had \$422.3 million (net of accumulated depreciation) invested in a broad range of capital assets including, but not limited to, police and fire equipment, buildings, park facilities, roads, bridges, aquatic park facilities, golf course assets, leases, subscription assets and the water and sewer system. The following table provides capital asset balances net of accumulated depreciation for each major category for both governmental and business-type activities as of September 30, 2023 and 2022.

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

	Governmental Activities		Business-Type Activities		Total	
	2023	2022 *	2023	2022 *	2023	2022 *
Land and land improvements	\$ 80,952	\$ 81,148	\$ 2,579	\$ 2,579	\$ 83,532	\$ 83,727
Works of art	310	310	-	-	310	310
Buildings & improvements	84,406	88,287	1,996	2,079	86,402	90,366
Other improvements	132,803	135,209	4,583	6,434	137,386	141,643
Utility plant	-	-	62,017	61,877	62,017	61,877
Machinery and equipment	20,134	15,280	7,979	9,215	28,113	24,495
Right-to-use leased equipment	68	98	77	174	144	272
Subscription assets	440	-	-	-	440	-
Assets held for sale	15	15	-	-	15	15
Construction in progress	17,626	9,900	6,267	1,365	23,894	11,265
Total Capital Assets	\$ 336,753	\$ 330,247	\$ 85,499	\$ 83,722	\$ 422,252	\$ 413,970

* 2022 balances have not been restated for the implementation of GASB 96

CITY OF NORTH RICHLAND HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

This year's major additions included:

Description	Amount
Buildings	\$ 343,953
Water / Sewer Replacement and Improvements	1,974,979
Street Improvements	1,806,189
Computer, Machinery, and Equipment	3,263,491
Vehicles	590,790

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 \$99,740,710 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, 2023 and 2022, the City had the following debt outstanding:

	Outstanding Debt					
	Amounts shown in thousands (000's)					
	Governmental Activities		Business-Type Activities		Total	
	2023	2022 *	2023	2022 *	2023	2022 *
General obligation bonds	\$ 74,190	\$ 68,730	\$ 2,025	\$ 2,540	\$ 76,215	\$ 71,270
Certificates of obligation	32,870	31,500	27,035	20,680	59,905	52,180
General obligation bonds - Private placement	235	300	80	100	315	400
Certificates of obligation - Private placement	-	-	755	815	755	815
Special assessment bonds	7,870	8,050	-	-	7,870	8,050
Lease liabilities	72	98	83	176	155	274
Subscription liabilities	378	-	-	-	378	-
Totals	<u>\$ 115,237</u>	<u>\$ 108,678</u>	<u>\$ 29,978</u>	<u>\$ 24,311</u>	<u>\$ 145,215</u>	<u>\$ 132,989</u>

* 2022 balances have not been restated for the implementation of GASB 96

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 2023, the City's property tax rate is \$0.547970 per \$100 assessed valuation. The current ratio of tax-supported debt to assessed value of all taxable property is 1.62%. 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.

CITY OF NORTH RICHLAND HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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, 2023 of \$45,544,116, which is 112.0% of the City’s annual covered payroll of \$40,672,177 for the 2022 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 \$29,415,285 as of September 30, 2023, a decrease of \$3,219,870 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. After working through a struggling economy, the City of North Richland Hills is finally experiencing a stabilization. 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 2023/2024 , sales tax receipts are anticipated to be roughly 2% higher than the 2022/2023 actual. Property tax values are anticipated to continue rising due to steady new construction growth. Currently, the City of North Richland Hills projects 5-7% growth in property values.

The fiscal year 2024 budget was based on a 11.97% decrease to the property tax rate from \$0.547970/\$100 to \$0.489389/\$100. For fiscal year 2024, the estimated tax rate distribution amounts for maintenance & operations and interest & sinking (per \$100 assessed value) for the City are as follows:

<u>Tax Rate Distribution Schedule</u>	<u>Tax Rate</u>	<u>Tax Rate Distribution</u>
General Fund - Maintenance & Operations	\$ 0.313583	\$ 26,093,764
Debt Service Fund - Interest & Sinking	0.175806	14,253,865
Total Distribution of tax proceeds	<u>\$ 0.489389</u>	<u>\$ 40,347,629</u>

By policy, the City maintains an unassigned General fund balance of 15% of budgeted expenditures. The use of available fund balance for one-time expenditures eliminates the financial impact of such purchases on future budgets.

Requests for Information

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



Behind the Book with Candice Millard

Candice Millard, the New York Times bestselling author of *Destiny of the Republic* and *The River of Doubt* and former National Geographic journalist, visited the NRH Library. Candice discussed her latest book, *River of the Gods: Genius, Courage, and Betrayal in the Search for the Source of the Nile*, and shared fascinating stories of her own research with the large and enthusiastic crowd of book lovers. The event also included a ticketed dinner reception with the author and a free book signing.

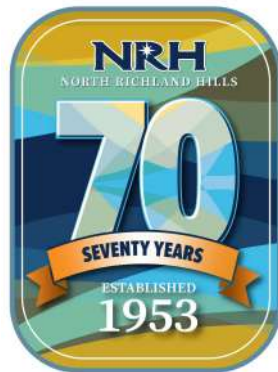


Bandan Koro

The NRH Library was happy to host the Bandan Koro African Drum and Dance Ensemble for a dynamic and interactive performance of African song and dance as part of their Celebrating Culture Series. Bandan Koro was founded by Tony Browne in 2009 as an outlet to study and share experiences associated with African culture and history with the community at large through the presentation of dance, music, and specialized presentations. The ensemble of musicians, singers, dancers, storytellers, and educators engage with diverse audiences year-round, fostering values of love, pride, cultural engagement, and excellence within the communities that they visit.

Basic Financial Statements

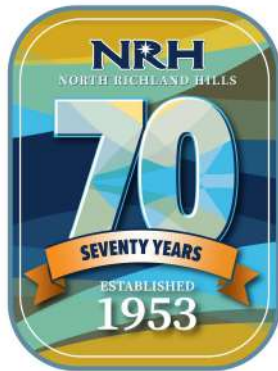
NRH



CITY OF NORTH RICHLAND HILLS, TEXAS
STATEMENT OF NET POSITION
September 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets:			
Cash and cash equivalents	\$ 39,710,560	\$ 7,270,569	\$ 46,981,129
Investments	53,313,642	12,585,363	65,899,005
Receivables, net of allowances	9,975,653	6,994,556	16,970,209
Prepays	472,586	67,505	540,091
Inventories, at cost	342,679	1,457,403	1,800,082
Interfund balances	500,000	(500,000)	-
Internal balances	(15,786,041)	15,786,041	-
Total current assets	88,529,079	43,661,437	132,190,516
Noncurrent Assets:			
Cash and cash equivalents	75,150,887	24,589,823	99,740,710
Capital assets not being depreciated	98,903,403	8,846,599	107,750,002
Capital, lease and subscription assets, net	237,849,529	76,652,321	314,501,850
Total Noncurrent Assets	411,903,819	110,088,743	521,992,562
Total Assets	500,432,898	153,750,180	654,183,078
Deferred Outflows of Resources			
Deferred loss on refunding	199,288	28,838	228,126
Deferred outflows - OPEB	3,300,537	349,620	3,650,157
Deferred outflows - Pension	23,037,057	4,885,013	27,922,070
Total Deferred Outflows of Resources	26,536,882	5,263,471	31,800,353
Liabilities			
Current Liabilities:			
Accounts payable and accrued liabilities	3,712,893	2,650,603	6,363,496
Deposits and other liabilities	2,315,311	82,552	2,397,863
Customer deposits	-	3,543,524	3,543,524
Unearned revenue	9,235,974	94,501	9,330,475
Retainage payable	246,549	82,994	329,543
Accrued interest payable	615,968	428,522	1,044,490
Arbitrage payable	631,191	133,128	764,319
Due within one year: Bonds, leases, subscriptions, compensated absences	11,095,621	2,505,168	13,600,789
Total Current Liabilities	27,853,507	9,520,992	37,374,499
Noncurrent Liabilities:			
Due in more than one year:			
Intergovernmental payables	-	1,394,614	1,394,614
Net OPEB liability	26,597,831	2,817,454	29,415,285
Net pension liability	37,576,097	7,968,019	45,544,116
Bonds, leases, subscriptions, compensated absences	116,534,584	29,200,534	145,735,118
Total Noncurrent Liabilities	180,708,512	41,380,621	222,089,133
Total Liabilities	208,562,019	50,901,613	259,463,632
Deferred Inflows of Resources			
Deferred gain on refunding	-	45,400	45,400
Deferred inflows - OPEB	14,092,943	1,492,836	15,585,779
Deferred inflows - Pension	16,616	3,523	20,139
Unavailable revenue - leases	1,425,477	-	1,425,477
Total Deferred Inflows of Resources	15,535,036	1,541,759	17,076,795
Net Position			
Net investment in capital assets	278,154,454	71,302,418	349,456,872
Restricted for:			
Municipal court technology & security	881,733	-	881,733
Franchise peg fees	920,167	-	920,167
Records preservation fees	4,000	-	4,000
Parks and recreation development	7,951,887	-	7,951,887
Crime control district	2,543,816	-	2,543,816
Debt service	2,432,729	-	2,432,729
Promotional & economic development	1,876,102	-	1,876,102
Public safety	2,424,334	-	2,424,334
Impact fees restricted for construction	-	3,947,349	3,947,349
Unrestricted	5,683,503	31,320,512	37,004,015
Total Net Position	\$ 302,872,725	\$ 106,570,279	\$ 409,443,004

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CITY OF NORTH RICHLAND HILLS, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2023

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental Activities:							
General government	\$ 21,587,224	\$ 6,797,882	\$ 7,955,917	\$ 3,150,822	\$ (3,682,603)	\$ -	\$ (3,682,603)
Public safety	50,266,194	99,924	2,933,999	-	(47,232,271)	-	(47,232,271)
Culture and recreation	14,938,648	4,158,276	13,231	-	(10,767,141)	-	(10,767,141)
Public works	9,938,628	2,307,763	726,119	-	(6,904,746)	-	(6,904,746)
Interest and fiscal charges	4,440,585	-	-	-	(4,440,585)	-	(4,440,585)
Total Governmental Activities	<u>101,171,279</u>	<u>13,363,845</u>	<u>11,629,266</u>	<u>3,150,822</u>	<u>(73,027,346)</u>	<u>-</u>	<u>(73,027,346)</u>
Business-Type Activities:							
Utility	41,285,185	47,255,972	-	-	-	5,970,787	5,970,787
Aquatic park	5,206,451	5,106,502	-	-	-	(99,949)	(99,949)
Golf course	3,281,958	3,407,607	-	-	-	125,649	125,649
Total Business-Type Activities	<u>49,773,594</u>	<u>55,770,081</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,996,487</u>	<u>5,996,487</u>
Total Primary Government	<u>\$ 150,944,873</u>	<u>\$ 69,133,926</u>	<u>\$ 11,629,266</u>	<u>\$ 3,150,822</u>	<u>(73,027,346)</u>	<u>5,996,487</u>	<u>(67,030,859)</u>
General Revenues and Transfers:							
Taxes:							
Property					39,004,572	-	39,004,572
Sales					27,620,289	-	27,620,289
Mixed beverage					159,615	-	159,615
Franchise					4,014,100	-	4,014,100
Occupancy					312,158	-	312,158
Grants not restricted to specific programs					4,526,423	-	4,526,423
Net unrestricted investment earnings					6,235,547	1,279,778	7,515,325
Gain on sale of capital assets					115,818	272	116,090
Miscellaneous					664,540	1,160,617	1,825,157
Transfers					4,657,924	(4,657,924)	-
Total General Revenues and Transfers					<u>87,310,986</u>	<u>(2,217,257)</u>	<u>85,093,729</u>
Change in net position					14,283,640	3,779,230	18,062,870
Net Position - Beginning of Year, As Previously Reported					299,256,766	102,791,049	402,047,815
Correction of Error (Note III - G)					(10,667,681)	-	(10,667,681)
Net Position - Beginning of Year, As Restated					<u>288,589,085</u>	<u>102,791,049</u>	<u>391,380,134</u>
Net Position - End of Year					<u>\$ 302,872,725</u>	<u>\$ 106,570,279</u>	<u>\$ 409,443,004</u>

See notes to the financial statements.

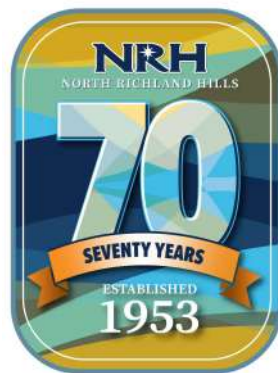
CITY OF NORTH RICHLAND HILLS, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2023

	General Fund	General Capital Projects	General Debt Service	Parks and Recreation Development
Assets				
Cash and cash equivalents	\$ 11,475,961	\$ -	\$ -	\$ 4,351,186
Investments	13,358,533	10,348,149	799,994	5,469,191
Receivables, net of allowances:				
Accounts	909,120	-	3,784	-
Property taxes	201,061	-	-	-
Other taxes receivable	2,588,360	-	-	1,215,306
Interest receivable	8,191	8,441	491	3,087
Special assessments receivable	-	132,657	-	-
Intergovernmental receivables	-	-	-	-
Lease receivables	1,426,238	-	-	-
Other receivables	355,595	-	-	44,832
Due from other funds	283,622	-	-	-
Inventories, at cost	85,615	-	-	11,754
Assets limited to use:				
Cash and cash equivalents	-	67,928,407	676,317	586,981
Total Assets	<u>\$ 30,692,296</u>	<u>\$ 78,417,654</u>	<u>\$ 1,480,586</u>	<u>\$ 11,682,337</u>
Liabilities				
Accounts payable	\$ 536,262	\$ 1,049,731	\$ 1,250	\$ 123,926
Retainage payable	-	226,365	-	-
Arbitrage payable	-	631,191	-	-
Accrued liabilities	222,928	-	-	-
Deposits and other liabilities	1,491,071	729,865	-	80,921
Unearned revenue	111,115	11,424	-	114,471
Total Liabilities	<u>2,361,376</u>	<u>2,648,576</u>	<u>1,250</u>	<u>319,318</u>
Deferred Inflows of Resources				
Unavailable revenue - ambulance fees	545,891	-	-	-
Unavailable revenue - property taxes	201,061	-	-	-
Unavailable revenue - assessments	-	132,657	-	-
Unavailable revenue - leases	1,392,366	-	-	-
Total Deferred Inflows of Resources	<u>2,139,318</u>	<u>132,657</u>	<u>-</u>	<u>-</u>
Fund Balance				
Nonspendable:				
Inventory	85,615	-	-	11,754
Restricted:				
Municipal court technology & security	881,733	-	-	-
Franchise peg fees	920,167	-	-	-
Record preservation fees	4,000	-	-	-
Parks and recreation development	-	-	-	7,951,887
Crime control district	-	-	-	-
Debt service	-	-	1,479,336	-
Promotional & economic development	-	-	-	-
Public safety	-	-	-	-
Capital projects (bond funded)	-	65,942,596	-	-
Committed:				
Donations	-	-	-	-
Drainage Utility	-	-	-	-
Gas development	-	-	-	-
Capital projects	-	8,091,840	-	-
Assigned:				
Recreation centre	-	-	-	3,399,378
Capital projects	-	1,601,985	-	-
Unassigned	24,300,087	-	-	-
Total Fund Balance	<u>26,191,602</u>	<u>75,636,421</u>	<u>1,479,336</u>	<u>11,363,019</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 30,692,296</u>	<u>\$ 78,417,654</u>	<u>\$ 1,480,586</u>	<u>\$ 11,682,337</u>

CITY OF NORTH RICHLAND HILLS, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2023

	Grants Fund	Non-major Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 6,672,788	\$ 5,707,004	\$ 28,206,939
Investments	75,862	5,551,686	35,603,415
Receivables, net of allowances:			
Accounts	-	231,705	1,144,609
Property taxes	-	-	201,061
Other taxes receivable	-	1,300,545	5,104,211
Interest receivable	47	3,405	23,662
Special assessments receivable	-	-	132,657
Intergovernmental receivables	1,382,167	-	1,382,167
Lease receivables	-	-	1,426,238
Other receivables	3,857	-	404,284
Due from other funds	-	-	283,622
Inventories, at cost	-	-	97,369
Assets limited to use:			
Cash and cash equivalents	2,370,341	1,006,676	72,568,722
Total Assets	<u>\$ 10,505,062</u>	<u>\$ 13,801,021</u>	<u>\$ 146,578,956</u>
Liabilities			
Accounts payable	\$ 184,290	\$ 431,711	\$ 2,327,170
Retainage payable	20,184	-	246,549
Arbitrage payable	-	-	631,191
Accrued liabilities	-	-	222,928
Deposits and other liabilities	-	13,454	2,315,311
Unearned revenue	8,998,964	-	9,235,974
Total Liabilities	<u>9,203,438</u>	<u>445,165</u>	<u>14,979,123</u>
Deferred Inflows of Resources			
Unavailable revenue - ambulance fees	-	-	545,891
Unavailable revenue - property taxes	-	-	201,061
Unavailable revenue - assessments	-	-	132,657
Unavailable revenue - leases	-	-	1,392,366
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>2,271,975</u>
Fund Balance			
Nonspendable:			
Inventory	-	-	97,369
Restricted:			
Municipal court technology & security	-	-	881,733
Franchise peg fees	-	-	920,167
Record preservation fees	-	-	4,000
Parks and recreation development	-	-	7,951,887
Crime control district	-	2,543,816	2,543,816
Debt service	-	953,393	2,432,729
Promotional & economic development	-	1,876,102	1,876,102
Public safety	1,301,624	1,122,710	2,424,334
Capital projects (bond funded)	-	43,332	65,985,928
Committed:			
Donations	-	798,646	798,646
Drainage Utility	-	3,212,286	3,212,286
Gas development	-	2,805,571	2,805,571
Capital projects	-	-	8,091,840
Assigned:			
Recreation centre	-	-	3,399,378
Capital projects	-	-	1,601,985
Unassigned	-	-	24,300,087
Total Fund Balance	<u>1,301,624</u>	<u>13,355,856</u>	<u>129,327,858</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 10,505,062</u>	<u>\$ 13,801,021</u>	<u>\$ 146,578,956</u>

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CITY OF NORTH RICHLAND HILLS, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2023

Total Fund Balances - Governmental Funds **\$ 129,327,858**

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 \$10,835,538, which are allocated to governmental activities. 325,917,394

Losses on issuance of refunding bonds are not reported in the funds but are reported as deferred outflows of resources in the statement of net position. 199,288

Accrued interest on governmental activities debt is not reported in the funds until paid, excluding internal service funds of \$5,263. (610,705)

Revenues earned but not available within sixty days of fiscal year-end are not recognized as revenue in the governmental funds financial statements. 879,609

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 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. 20,722,343

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 \$23,037,057 deferred inflows of resources in the amount of \$16,616, and the net pension liability of \$37,576,097, excluding internal service funds of \$(2,249,863). (12,305,793)

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 \$3,300,537, deferred inflows of resources in the amount of \$14,092,943, and the net OPEB liability of \$26,597,831, excluding internal service funds of \$(2,925,347). (34,464,890)

Compensated absences are not due and payable in the current period and therefore are not reported in the funds, excluding internal service funds of \$582,160. (4,301,518)

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 (10,672,329)

 Due in more than one year (111,818,532)

Total Net Position - Governmental Activities **\$ 302,872,725**

CITY OF NORTH RICHLAND HILLS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2023

	General Fund	General Capital Projects	General Debt Service	Parks and Recreation Development
Revenues				
Taxes	\$ 43,308,394	\$ -	\$ 13,507,630	\$ 6,909,918
Licenses and permits	2,009,138	-	-	-
Charges for services	2,820,125	13,231	-	4,006,168
Gas utility leases and royalties	-	-	-	-
Fines	1,334,004	-	-	-
Contributions	9,776	300	-	-
Special assessments	-	-	-	-
Investment income	1,239,101	2,686,012	75,397	313,235
Intergovernmental	5,067,321	226,269	63,068	-
Forfeitures	-	-	-	-
Miscellaneous	365,656	-	-	25
Total Revenues	<u>56,153,515</u>	<u>2,925,812</u>	<u>13,646,095</u>	<u>11,229,346</u>
Expenditures				
General government	13,551,468	-	-	-
Public safety	33,284,309	-	-	-
Culture and recreation	3,944,118	-	-	7,332,366
Public works	3,422,075	-	-	-
Capital Outlay	38,878	9,346,908	-	-
Debt service:				
Principal retirement	32,434	-	10,855,000	3,542
Interest and fiscal charges	720	631,191	3,525,402	16,265
Bond issuance costs	-	518,072	-	-
Total Expenditures	<u>54,274,002</u>	<u>10,496,171</u>	<u>14,380,402</u>	<u>7,352,173</u>
Excess (deficiency) of revenues over expenditures	1,879,513	(7,570,359)	(734,307)	3,877,173
Other Financing Sources (Uses)				
Issuance of debt	-	17,620,000	-	-
Leases issued	16,998	-	-	-
Premium on issuance of debt	-	1,648,072	-	-
Proceeds from sale of assets	3,087	-	-	1,683
Insurance recoveries	16,036	-	-	-
Transfers in	5,419,243	4,583,665	881,649	487,102
Transfers out	(2,700,644)	(3,215,901)	-	(2,251,960)
Total Other Financing Sources (Uses)	<u>2,754,720</u>	<u>20,635,836</u>	<u>881,649</u>	<u>(1,763,175)</u>
Net change in fund balances	4,634,233	13,065,477	147,342	2,113,998
Fund Balances (Deficit) - Beginning of Year	<u>21,557,369</u>	<u>62,570,944</u>	<u>1,331,994</u>	<u>9,249,021</u>
Fund Balances - End of Year	<u>\$ 26,191,602</u>	<u>\$ 75,636,421</u>	<u>\$ 1,479,336</u>	<u>\$ 11,363,019</u>

CITY OF NORTH RICHLAND HILLS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2023

	Grants Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ -	\$ 7,388,094	\$ 71,114,036
Licenses and permits	-	-	2,009,138
Charges for services	-	1,770,389	8,609,913
Gas utility leases and royalties	-	545,430	545,430
Fines	-	-	1,334,004
Contributions	-	204,756	214,832
Special assessments	-	499,850	499,850
Investment income	197,273	621,167	5,132,185
Intergovernmental	9,962,276	440,605	15,759,539
Forfeitures	-	117,638	117,638
Miscellaneous	1,718	-	367,399
Total Revenues	<u>10,161,267</u>	<u>11,587,929</u>	<u>105,703,964</u>
Expenditures			
General government	863,745	2,432,590	16,847,803
Public safety	6,457,374	7,423,088	47,164,771
Culture and recreation	7,075	202,033	11,485,592
Public works	-	645,829	4,067,904
Capital Outlay	2,039,218	98,001	11,523,005
Debt service:			
Principal retirement	-	183,164	11,074,140
Interest and fiscal charges	-	378,874	4,552,452
Bond issuance costs	-	-	518,072
Total Expenditures	<u>9,367,412</u>	<u>11,363,579</u>	<u>107,233,739</u>
Excess (deficiency) of revenues over expenditures	793,855	224,350	(1,529,775)
Other Financing Sources (Uses)			
Issuance of debt	-	-	17,620,000
Leases issued	-	-	16,998
Premium on issuance of debt	-	-	1,648,072
Proceeds from sale of assets	-	351,459	356,229
Insurance recoveries	-	-	16,036
Transfers in	864,370	172,748	12,408,777
Transfers out	-	(940,832)	(9,109,337)
Total Other Financing Sources (Uses)	<u>864,370</u>	<u>(416,625)</u>	<u>22,956,775</u>
Net change in fund balances	1,658,225	(192,275)	21,427,000
Fund Balances (Deficit) - Beginning of Year	<u>(356,601)</u>	<u>13,548,131</u>	<u>107,900,858</u>
Fund Balances - End of Year	<u>\$ 1,301,624</u>	<u>\$ 13,355,856</u>	<u>\$ 129,327,858</u>



NRH Sounds of Spring provides six weekly concerts at the NRH City Hall with free live music by some of the region's best live performers under the stars.

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, 2023

Net Change in Fund Balances - Governmental Funds **\$ 21,427,000**

Amounts reported for governmental activities in the statement of activities are different because:

Change in revenues not considered available in the governmental funds. (460,962)

This amount is the amount of governmental activities capital asset additions for the current period, \$20,448,697 less \$3,141,444 in capital contributions and \$5,784,248 of additions allocated from the internal service funds. 11,523,005

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 \$662,792 of depreciation/amortization in the internal service funds. (13,555,009)

Donation of property is not reported in the governmental funds. However, in the statement of activities, the fair value of those assets is recognized as revenue. 3,141,444

The net effect of various transactions involving capital assets (i.e. sales and contributions) is to decrease net position. (288,065)

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. (71,954)

The issuance of long-term debt (e.g. bonds, leases, 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 subscription liabilities that are reflected in the internal service funds.

Issuance of leases	(16,998)
Issuance of debt	(17,620,000)
Premium on issuance of long-term debt	(1,648,072)
Repayment of principal on long-term debt	11,035,000
Repayment of principal on leases, excluding internal service funds of \$3,863	39,140
Amortization of:	
Premium on issuance of long-term debt	1,094,382

Current year change in accrued interest payable requires the use of current financial resources; but it is not reported as an expense in the government-wide statements, excluding internal service funds of \$5,263. (168,706)

Current year changes in certain long-term liabilities (do)/do not require the use of current financial resources and, therefore, are/(are not) reported as expenditures in governmental funds.

Net Pension liability and related deferred outflows and inflows of resources	(1,733,820)
Net OPEB liability and related deferred outflows and inflows of resources	(1,177,265)
Compensated absences liability	(650,876)

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. 3,415,396

Change in Net Position of Governmental Activities **\$ 14,283,640**

CITY OF NORTH RICHLAND HILLS, TEXAS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
September 30, 2023

	Enterprise Funds				Governmental
	Utility	Aquatic Park	Nonmajor Golf	Total Enterprise	Activities Internal Service Funds
Assets					
Current Assets:					
Cash and cash equivalents	\$ 6,671,523	\$ -	\$ 599,046	\$ 7,270,569	\$ 11,503,621
Investments	11,468,890	1,081,991	34,482	12,585,363	17,710,227
Accounts receivable, net of allowances:					
Billed	4,167,025	-	-	4,167,025	-
Unbilled	2,728,636	-	-	2,728,636	-
Other	-	70,345	20,781	91,126	117,407
Interest receivable	7,033	715	21	7,769	10,860
Lease receivable	-	-	-	-	28,497
Prepaid items	5,987	-	61,518	67,505	472,586
Inventories, at cost	1,329,038	31,804	96,561	1,457,403	245,310
Total current assets	26,378,132	1,184,855	812,409	28,375,396	30,088,508
Noncurrent assets:					
Restricted cash and cash equivalents	23,801,310	716,160	72,353	24,589,823	2,582,165
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	176,155
Other improvements	-	4,186,552	7,078,528	11,265,080	810,141
Utility plant in service	153,820,867	-	-	153,820,867	-
Machinery and equipment	977,388	20,283,092	7,606,833	28,867,313	15,864,552
Leased equipment	7,046	2,915	256,692	266,653	9,863
Subscription assets	-	-	-	-	586,973
Construction in progress	5,095,298	1,172,164	-	6,267,462	2,849,576
Accumulated depreciation/amortization	(94,517,272)	(17,744,405)	(8,584,306)	(120,845,983)	(9,461,722)
Total capital, lease and subscription assets - net	65,468,358	11,112,053	8,918,509	85,498,920	10,835,538
Total noncurrent assets	89,269,668	11,828,213	8,990,862	110,088,743	13,917,703
Total Assets	115,647,800	13,013,068	9,803,271	138,464,139	44,006,211
Deferred Outflows of Resources					
Deferred loss on refunding	22,803	6,035	-	28,838	-
Deferred outflows - OPEB	296,953	52,667	-	349,620	258,228
Deferred outflows - Pension	4,333,242	551,771	-	4,885,013	3,560,832
Total Deferred Outflows of Resources	4,652,998	610,473	-	5,263,471	3,819,060

CITY OF NORTH RICHLAND HILLS, TEXAS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
September 30, 2023

	Enterprise Funds				Governmental
	Utility	Aquatic Park	Nonmajor Golf	Total Enterprise	Activities Internal Service Funds
Liabilities					
Current Liabilities:					
Accounts payable and accrued expenses	\$ 2,554,935	\$ 16,587	\$ 162,005	\$ 2,733,527	\$ 171,319
Due to other funds	-	-	-	-	283,622
Deposits and other liabilities	79,384	3,168	-	82,552	991,476
Customer deposits	3,543,524	-	-	3,543,524	-
Compensated absences	60,661	4,131	-	64,792	57,471
Unearned revenue	-	26,171	68,330	94,501	-
Accrued interest payable	298,211	80,659	49,652	428,522	5,263
Arbitrage payable	133,128	-	-	133,128	-
Intergovernmental payables	1,394,614	-	-	1,394,614	-
Bonds payable	1,710,000	435,000	215,000	2,360,000	-
Lease liabilities	2,727	1,128	76,521	80,376	3,818
Subscription liabilities	-	-	-	-	138,440
Total current liabilities	9,777,184	566,844	571,508	10,915,536	1,651,409
Noncurrent Liabilities:					
Bonds payable	22,365,075	3,452,571	2,863,271	28,680,917	-
Lease liabilities	1,591	658	-	2,249	2,228
Subscription liabilities	-	-	-	-	239,398
Compensated absences	404,549	112,819	-	517,368	396,471
Interfund loan payable	-	500,000	-	500,000	-
Net OPEB liability	2,393,030	424,424	-	2,817,454	2,080,968
Net pension liability	7,068,017	900,002	-	7,968,019	5,808,127
Total noncurrent liabilities	32,232,262	5,390,474	2,863,271	40,486,007	8,527,192
Total Liabilities	42,009,446	5,957,318	3,434,779	51,401,543	10,178,601
Deferred Inflows of Resources					
Deferred gain on refunding	37,502	5,304	2,594	45,400	-
Deferred inflows - OPEB	1,267,954	224,882	-	1,492,836	1,102,607
Deferred inflows - Pension	3,125	398	-	3,523	2,568
Deferred inflows - Leases	-	-	-	-	33,111
Total Deferred Inflows of Resources	1,308,581	230,584	2,594	1,541,759	1,138,286
Net Position					
Net investment in capital assets	57,601,708	7,939,587	5,761,123	71,302,418	10,452,778
Impact fees restricted for construction	3,947,349	-	-	3,947,349	-
Unrestricted net position (deficit)	15,433,714	(503,948)	604,775	15,534,541	26,055,606
Total Net Position (Deficit)	\$ 76,982,771	\$ 7,435,639	\$ 6,365,898	\$ 90,784,308	\$ 36,508,384

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.

	15,786,041
Net Position of business-type activities	\$ 106,570,279

CITY OF NORTH RICHLAND HILLS, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
For the Year Ended September 30, 2023

	Enterprise Funds			Total Enterprise	Governmental
	Utility	Aquatic Park	Nonmajor Golf		Activities Internal Service Funds
Operating Revenues					
Charges for services:					
Water and sewer service	\$ 43,784,266	\$ -	\$ -	\$ 43,784,266	\$ -
Service charges	1,219,180	-	-	1,219,180	-
Inspection fees	33,785	-	-	33,785	-
Golf course fees and charges	-	-	3,248,634	3,248,634	-
Aquatic park admissions and services	-	4,868,271	-	4,868,271	-
Risk management	-	-	-	-	14,692,004
Facilities and fleet management	-	-	-	-	7,558,803
Information systems management	-	-	-	-	4,394,543
Miscellaneous revenues	1,144,270	13,206	-	1,157,476	594,183
Total Operating Revenues	<u>46,181,501</u>	<u>4,881,477</u>	<u>3,248,634</u>	<u>54,311,612</u>	<u>27,239,533</u>
Operating Expenses					
Claims	-	-	-	-	10,606,181
Contractual services	6,587,267	1,324,975	-	7,912,242	3,663,686
Water purchases	12,494,232	-	-	12,494,232	-
Wastewater treatment services	7,368,448	-	-	7,368,448	-
Personnel services	7,124,902	1,994,796	-	9,119,698	5,392,345
Golf course sales and service	-	-	2,760,753	2,760,753	-
Repairs and maintenance	1,915,235	167,369	-	2,082,604	1,533,436
Supplies	256,121	650,000	-	906,121	1,645,211
Depreciation/amortization	4,395,889	952,337	322,597	5,670,823	662,792
Total Operating Expenses	<u>40,142,094</u>	<u>5,089,477</u>	<u>3,083,350</u>	<u>48,314,921</u>	<u>23,503,651</u>
Operating income (loss)	<u>6,039,407</u>	<u>(208,000)</u>	<u>165,284</u>	<u>5,996,691</u>	<u>3,735,882</u>
Nonoperating Revenues (Expenses)					
Investment income	1,171,299	96,270	12,209	1,279,778	1,115,959
Interest expense	(1,003,307)	(116,974)	(198,608)	(1,318,889)	(223,783)
Bond issuance costs	(139,784)	-	-	(139,784)	-
Other income	16,961	316	-	17,277	30,663
Gain (loss) on disposal of assets	-	272	-	272	-
Total Nonoperating Revenues (Expenses)	<u>45,169</u>	<u>(20,116)</u>	<u>(186,399)</u>	<u>(161,346)</u>	<u>922,839</u>
Income (loss) before transfers	<u>6,084,576</u>	<u>(228,116)</u>	<u>(21,115)</u>	<u>5,835,345</u>	<u>4,658,721</u>
Transfers					
Transfers in	-	-	-	-	3,643,749
Transfers out	(4,657,924)	-	-	(4,657,924)	(2,285,265)
Total Transfers - Net	<u>(4,657,924)</u>	<u>-</u>	<u>-</u>	<u>(4,657,924)</u>	<u>1,358,484</u>
Change in net position	<u>1,426,652</u>	<u>(228,116)</u>	<u>(21,115)</u>	<u>1,177,421</u>	<u>6,017,205</u>
Net Position - Beginning of Year	<u>75,556,119</u>	<u>7,663,755</u>	<u>6,387,013</u>	<u>89,606,887</u>	<u>30,491,179</u>
Net Position - End of Year	<u>\$ 76,982,771</u>	<u>\$ 7,435,639</u>	<u>\$ 6,365,898</u>	<u>\$ 90,784,308</u>	<u>\$ 36,508,384</u>
Reconciliation to business-type activities:					
Change in net position of enterprise funds				\$ 1,177,421	
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.					2,601,809
Change in net position of business-type activities				<u>\$ 3,779,230</u>	

CITY OF NORTH RICHLAND HILLS, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended September 30, 2023

	Enterprise Funds				Governmental
	Utility	Aquatic Park	Nonmajor Golf	Total Enterprise	Activities Internal Services
Cash flows from operating activities:					
Receipts from customers	\$ 45,162,441	\$ 4,879,587	\$ 3,254,252	\$ 53,296,280	\$ -
Receipts from (payments for) interfund services provided	-	-	-	-	27,251,386
Payments to suppliers	(28,392,504)	(2,140,936)	(2,770,374)	(33,303,814)	(17,261,440)
Payments to employees	(5,992,426)	(1,916,074)	-	(7,908,500)	(4,349,153)
Net cash provided by operating activities	10,777,511	822,577	483,878	12,083,966	5,640,793
Cash flows from noncapital financing activities:					
Transfers from other funds	-	-	-	-	3,643,749
Transfers to other funds	(4,657,924)	-	-	(4,657,924)	(2,285,265)
Other noncapital financing receipts	16,961	316	-	17,277	30,663
Net cash provided by (used for) noncapital financing activities	(4,640,963)	316	-	(4,640,647)	1,389,147
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(6,213,349)	(1,198,773)	(36,004)	(7,448,126)	(5,908,063)
Proceeds from capital debt	7,865,000	-	-	7,865,000	-
Principal paid on capital debt and leases	(1,306,273)	(588,076)	(303,764)	(2,198,113)	(65,279)
Interest paid on capital debt and leases	(756,613)	(48,927)	(158,860)	(964,400)	(218,520)
Proceeds from sale of capital assets	-	272	-	272	-
Net cash provided by (used for) capital and related financing activities	(411,235)	(1,835,504)	(498,628)	(2,745,367)	(6,191,862)
Cash flows from investing activities:					
Sale (purchase) of investments, net	(1,915,558)	265,206	147,283	(1,503,069)	(2,442,002)
Interest and dividends received	1,171,299	96,270	12,209	1,279,778	1,115,959
Net cash provided by (used for) investing activities	(744,259)	361,476	159,492	(223,291)	(1,326,043)
Net increase (decrease) in cash and cash equivalents	4,981,054	(651,135)	144,742	4,474,661	(487,965)
Cash and cash equivalents, beginning of year	25,491,779	1,367,295	526,657	27,385,731	14,573,751
Cash and cash equivalents, end of year	30,472,833	716,160	671,399	31,860,392	14,085,786
Reconciliation of Cash and Cash Equivalents to Statement of Net Position - Proprietary Funds					
Cash and cash equivalents - current	6,671,523	-	599,046	7,270,569	11,503,621
Cash and cash equivalents - noncurrent	23,801,310	716,160	72,353	24,589,823	2,582,165
Total cash and cash equivalents	30,472,833	716,160	671,399	31,860,392	14,085,786
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	6,039,407	(208,000)	165,284	5,996,691	3,735,882
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation/amortization expense	4,395,889	952,337	322,597	5,670,823	662,792
(Increase) decrease in accounts receivable	(1,098,824)	(1,890)	5,618	(1,095,096)	11,853
(Increase) decrease in prepaid items	826	-	(12,241)	(11,415)	60,446
(Increase) decrease in inventories	(895,599)	6,508	1,205	(887,886)	(17,558)
(Increase) decrease in deferred outflows of resources - pension	(3,672,129)	(439,180)	-	(4,111,309)	(3,069,878)
(Increase) decrease in deferred outflows of resources - OPEB	473,280	77,684	-	550,964	291,749
Increase (decrease) in accounts payable	1,293,627	(18,058)	(3,015)	1,272,554	155,873
Increase (decrease) in other current liabilities	-	-	-	-	-
Increase (decrease) in retainage payable	-	-	-	-	-
Increase (decrease) in customer deposits	79,764	-	-	79,764	-
Increase (decrease) in compensated absences	76,393	19,484	-	95,877	85,352
Increase (decrease) in unearned revenues	(263)	12,958	4,430	17,125	-
Increase (decrease) in intergovernmental payables	92,155	-	-	92,155	-
Increase (decrease) in deferred inflows of resources - pension	(1,651,232)	(279,882)	-	(1,931,114)	(1,205,045)
Increase (decrease) in deferred inflows of resources - OPEB	(506,838)	(69,522)	-	(576,360)	(101,067)
Increase (decrease) in deferred inflows of resources - leases	-	-	-	-	(11,687)
Increase (decrease) in net pension/OPEB liabilities	6,151,055	770,138	-	6,921,193	5,042,081
Total Adjustments	4,738,104	1,030,577	318,594	6,087,275	1,904,911
Net cash provided by operating activities	\$ 10,777,511	\$ 822,577	\$ 483,878	\$ 12,083,966	\$ 5,640,793

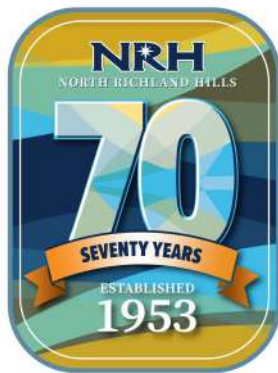
CITY OF NORTH RICHLAND HILLS, TEXAS
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUND
September 30, 2023

	<u>OPEB Trust</u>
Assets	
Investments, at fair value:	
Investments in master trust	\$ 2,635,240
Total Assets	<u>\$ 2,635,240</u>
Net Position	
Restricted for other post employment benefits	\$ 2,635,240
Total Net Position	<u>\$ 2,635,240</u>

CITY OF NORTH RICHLAND HILLS, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
FIDUCIARY FUND
For the Year Ended September 30, 2023

	<u>OPEB Trust</u>
Additions	
Contributions:	
Employer	\$ 949,944
Net investment income (loss)	<u>(436,311)</u>
Total Additions	<u>513,633</u>
Deductions	
Benefit payments	849,944
Administrative expenses	<u>15,956</u>
Total Deductions	<u>865,900</u>
Change in net position	(352,267)
Net Position - Beginning	<u>2,987,507</u>
Net Position - Ending	<u>\$ 2,635,240</u>

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CITY OF NORTH RICHLAND HILLS, TEXAS

NOTES TO BASIC 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.

CITY OF NORTH RICHLAND HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

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 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.

CITY OF NORTH RICHLAND HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

The City reports the following major 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 NRH₂O, the City's public water park. All activities necessary to operate the park are accounted for in the fund, including, but not limited to, administration, park operations, park maintenance, and financing and debt service.

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and of the internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation/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.

CITY OF NORTH RICHLAND HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

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, 2023, the City did not own any types of securities other than those permitted by statute.

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

Receivables and payables

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

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

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

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

Property taxes are limited by the Texas Constitution to \$2.50 per \$100 of assessed valuation and by City Charter to \$1.50 per \$100 assessed valuation. The combined tax rate to finance general governmental service and debt service for the year ended September 30, 2023 was \$0.54797 per \$100 of assessed valuation.

Lease Receivable

The City is a lessor for noncancellable leases related to cellular towers, building space, and billboards. 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.

CITY OF NORTH RICHLAND HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

- 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 and impact fees. 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. 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 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 of 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.

CITY OF NORTH RICHLAND HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

The Parks and Recreation Development Fund and the Grants Fund contain 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.

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.

CITY OF NORTH RICHLAND HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

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 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.
- Differences between expected and actual economic experience for the City’s pension and OPEB plan – These effects on the pension and 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 pension plan (active employees and inactive employees).
- Difference in projected and actual earnings on pension 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:

- Deferred gain on refunding – A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Differences between expected and actual economic experience for the City’s pension and OPEB plans – These effects on the pension and 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 pension plan (active employees and inactive employees).
- 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.
- 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.

CITY OF NORTH RICHLAND HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

Compensated absences

City employees are granted vacation leave in varying amounts depending on length of service. Sick leave is also granted to employees. 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. Sick pay is recorded when taken. All vacation pay is accrued as vested and included in accrued liabilities in the government-wide and proprietary fund financial statements. Accrued vacation pay, including converted sick leave, that is expected to be liquidated within one year, is reported as a short-term liability. The remainder of the liability is reflected as long-term.

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 Aquatic Park fund and Golf fund report 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. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

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 are measurement 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.

CITY OF NORTH RICHLAND HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

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. The City recognizes subscription liabilities with an initial, individual value of \$5,000 or more.

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.

CITY OF NORTH RICHLAND HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

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.

CITY OF NORTH RICHLAND HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

Committed Fund Balance Policy

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

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

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

CITY OF NORTH RICHLAND HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

Adoption of New Accounting Standards

During fiscal year 2023, the City adopted the following GASB standards:

GASB Statement No. 91, *Conduit Debt Obligations*. This standard clarifies the definition of conduit debt and provides a single method of reporting these obligations (disclosure only). This standard provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. The adoption of this standard had no impact on the City.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This standard addresses the gap in current accounting guidance related to public-private and public-public partnerships (both referred to as PPPs) that do not meet the definition of a service concession arrangement. The adoption of this standard had no impact on the City.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The implementation of this standard establishes a single model for subscription-based information technology arrangements (SBITAs) accounting based on the principle that contracts are financings of the right to use an underlying information technology software asset. The standard requires recognition of certain right-to-use subscription assets and subscription liabilities.

As a result of implementing this standard the City recognized right-to-use subscription assets and liabilities. The adoption of this standard had no impact on beginning net position. The additional disclosures required by this standard are included in *Note II - C and E*.

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, 2023. The City will evaluate the potential impact on the City’s net position, if any.

Statement No.	Title	Adoption Required
100	<i>Accounting Changes and Error Correction</i>	September 30, 2024
101	<i>Compensated Absences</i>	September 30, 2025
102	<i>Certain Risk Disclosures</i>	September 30, 2025

CITY OF NORTH RICHLAND HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

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, 2023, the bank balances of the City's demand deposits were \$8,967,448. Accounts with under \$250,000 balance of either an interest-bearing account or non-interest-bearing account are covered by FDIC deposit insurance. The total cash held in demand deposits has been materially collateralized and meets the statutes' requirements.

As of September 30, 2023, 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, 2023:

Cash on hand (petty cash, cashier tills)	\$	31,220
Demand Deposit Accounts		10,005,932
Investment Pools		133,618,633
Federal Agency Bond/Note		25,429,881
Federal Agency Commercial Mortgage- Back Securities		136,297
Municipal Bond/Note		17,697,944
Commercial Paper		7,549,842
U.S. Treasury Bond/Note		18,151,095
Total Deposits and Investments	\$	<u>212,620,844</u>

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, 2023, 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 is 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 is carried at amortized cost and TexasRange is carried at net asset value.

CITY OF NORTH RICHLAND HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

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, 2023, the City held the following investments:

Investment Type	WAM	S&P Rating	Moody Rating	Carrying Value
Investment Pools:				
TexPool	1	AAAm	N/A	\$ 115,450,402
TexasRange	1	AAAm	N/A	18,168,231
Federal Agency Bond/Note	1,115	AA+	Aaa	25,429,881
Federal Agency Commercial Mortgage- Backed Securities	55	AA+	Aaa A2, Aa1, Aa2,	136,297
Municipal Bond/Note	1,167	A+, AA, AA+	Aa3	17,697,944
Commercial Paper	178	AAA	Aaa	7,549,842
U.S. Treasury Bond/Note	601	AA+	Aaa	18,151,095
Total Portfolio	293			\$ 202,583,692

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 \$9,600,000 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.

CITY OF NORTH RICHLAND HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

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, 2023 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 \$2,635,240 as of December 31, 2022. 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

CITY OF NORTH RICHLAND HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

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, 2023:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments measured at fair value:				
Federal Agency Bond/Note	\$ 25,429,881	\$ 5,549,035	\$ 19,880,846	\$ -
Federal Agency Commercial Mortgage- Backed Securities	136,297	-	136,297	-
Municipal Bond/Note	17,697,944	871,820	16,826,124	-
Commercial Paper	7,549,842	-	7,549,842	-
U.S. Treasury Bond/Note	18,151,095	18,151,095	-	-
Investment in OPEB Trust	2,635,240	-	-	2,635,240
Total investments measured at fair value	<u>\$ 71,600,299</u>	<u>\$ 24,571,950</u>	<u>\$ 44,393,109</u>	<u>\$ 2,635,240</u>
Investments measured at net asset value - TexasRange				
	18,168,231			
Investments measured at amortized cost - TexPool				
	<u>115,450,402</u>			
Total investments	<u>\$ 205,218,932</u>			

Certain investments that are measured using the net asset value per share (or its equivalent) practical expedient or 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 and TexasRange. TexasRange is measured at net asset value and are designed to approximate the share value, while TexPool is 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.

CITY OF NORTH RICHLAND HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

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:

	<u>General Fund</u>	<u>General Capital Projects</u>	<u>General Debt Service</u>	<u>Parks and Recreation Development</u>	<u>Grants Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Accounts	\$ 1,789,952	\$ -	\$ 3,784	\$ -	\$ -	\$ 235,024	\$ 2,028,760
Property taxes	1,043,488	-	-	-	-	-	1,043,488
Other taxes	2,588,360	-	-	1,215,306	-	1,300,545	5,104,211
Interest	8,191	8,441	491	3,087	47	3,405	23,662
Special assessments	-	132,657	-	-	-	-	132,657
Intergovernmental	-	-	-	-	1,382,167	-	1,382,167
Leases	1,426,238	-	-	-	-	-	1,426,238
Other	355,595	-	-	44,832	3,857	-	404,284
Total	<u>7,211,824</u>	<u>141,098</u>	<u>4,275</u>	<u>1,263,225</u>	<u>1,386,071</u>	<u>1,538,974</u>	<u>11,545,467</u>
Allowance	(1,723,259)	-	-	-	-	(3,319)	(1,726,578)
Total (net of allowance)	<u>\$ 5,488,565</u>	<u>\$ 141,098</u>	<u>\$ 4,275</u>	<u>\$ 1,263,225</u>	<u>\$ 1,386,071</u>	<u>\$ 1,535,655</u>	<u>\$ 9,818,889</u>

	<u>Utility</u>	<u>Aquatic Park</u>	<u>Golf</u>	<u>Total Enterprise Funds</u>	<u>Internal Service</u>
Accounts	\$ 7,046,549	\$ 70,345	\$ 20,781	\$ 7,137,675	\$ 117,407
Interest	7,033	715	21	7,769	10,860
Lease	-	-	-	-	28,497
Total	<u>7,053,582</u>	<u>71,060</u>	<u>20,802</u>	<u>7,145,444</u>	<u>156,764</u>
Allowance	(150,888)	-	-	(150,888)	-
Total (net of allowance)	<u>\$ 6,902,694</u>	<u>\$ 71,060</u>	<u>\$ 20,802</u>	<u>\$ 6,994,556</u>	<u>\$ 156,764</u>

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 \$102,674 in lease revenue and \$30,564 in interest revenue during the current fiscal year related to these leases. As of September 30, 2023, the City's receivable for lease payments was \$1,454,735, including lease interest receivable of \$2,589. 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, 2023, the balance of the deferred inflow of resources was \$1,425,477.

CITY OF NORTH RICHLAND HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

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, 2023:

Year Ending September 30,	Principal	Interest	Total Receipts
2024	\$ 88,996	\$ 30,031	\$ 119,027
2025	90,764	28,264	119,028
2026	78,086	26,460	104,546
2027	88,917	24,711	113,628
2028	93,915	22,740	116,655
2029-2033	479,264	82,820	562,084
2034-2038	498,660	31,651	530,311
2039	36,133	161	36,294
Total	<u><u>\$ 1,454,735</u></u>	<u><u>\$ 246,838</u></u>	<u><u>\$ 1,701,573</u></u>

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	\$ 1,110
LEOSE Public Safety proceeds	91,262
Escrow deposits	17,993
Miscellaneous	750
Total General Fund	<u>111,115</u>
Parks and Recreation Development:	
Centre and event deposits for future services	114,471
Capital Projects Fund:	
Miscellaneous	11,424
Grants Fund:	
Grant proceeds	8,998,964
Enterprise Funds:	
Advanced Payments, Gift Certificates, Store Credit	<u>94,501</u>
Total Unearned Revenue	<u><u>\$ 9,330,475</u></u>

CITY OF NORTH RICHLAND HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

C. Capital, Lease and Subscription Assets

Capital, lease and subscription asset activity for the primary government for the year ended September 30, 2023, was as follows:

	Beginning Balance *	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated/amortized:					
Land	\$ 81,147,817	\$ -	\$ (240,411)	\$ 45,064	\$ 80,952,470
Works of art	310,208	-	-	-	310,208
Assets held for sale	14,612	-	-	-	14,612
Construction in progress	9,900,301	14,450,170	-	(6,724,358)	17,626,113
Total capital assets, not being depreciated/amortized:	<u>91,372,938</u>	<u>14,450,170</u>	<u>(240,411)</u>	<u>(6,679,294)</u>	<u>98,903,403</u>
Capital, lease and subscription assets, being depreciated/amortized:					
Buildings	130,921,540	122,179	-	2,100	131,045,819
Other improvements	270,206,600	1,146,152	-	4,810,849	276,163,601
Machinery and equipment	39,973,063	4,713,198	-	1,794,791	46,481,052
Leased equipment	135,388	16,998	-	-	152,386
Subscription assets	439,255	147,718	-	-	586,973
Total capital, lease and subscription asset, being depreciated/amortized:	<u>441,675,846</u>	<u>6,146,245</u>	<u>-</u>	<u>6,607,740</u>	<u>454,429,831</u>
Less accumulated depreciation/amortization for:					
Buildings	(42,634,559)	(4,005,418)	-	-	(46,639,977)
Other improvements	(134,997,508)	(8,363,422)	-	-	(143,360,930)
Machinery and equipment	(24,692,653)	(1,654,629)	-	-	(26,347,282)
Leased equipment	(37,781)	(46,954)	-	-	(84,735)
Subscription assets	-	(147,378)	-	-	(147,378)
Total accumulated depreciation/amortization	<u>(202,362,501)</u>	<u>(14,217,801)</u>	<u>-</u>	<u>-</u>	<u>(216,580,302)</u>
Total capital, lease and subscription assets being depreciated/amortized, net	<u>239,313,345</u>	<u>(8,071,556)</u>	<u>-</u>	<u>6,607,740</u>	<u>237,849,529</u>
Governmental Activities - Net	<u>\$ 330,686,283</u>	<u>\$ 6,378,614</u>	<u>\$ (240,411)</u>	<u>\$ (71,554)</u>	<u>\$ 336,752,932</u>
* Beginning Balance amounts have been restated for GASB 96					
Business-type Activities:					
Capital assets, not being depreciated/amortized:					
Land	\$ 2,579,137	\$ -	\$ -	\$ -	\$ 2,579,137
Construction in progress	1,364,588	6,388,408	-	(1,485,534)	6,267,462
Total capital assets, not being depreciated/amortized:	<u>3,943,725</u>	<u>6,388,408</u>	<u>-</u>	<u>(1,485,534)</u>	<u>8,846,599</u>
Capital and lease assets, being depreciated/amortized:					
Buildings	3,268,726	-	-	9,665	3,278,391
Utility plant	149,995,003	686,921	-	3,138,943	153,820,867
Other improvements	12,961,139	-	-	(1,696,059)	11,265,080
Machinery and equipment	28,461,531	372,797	-	32,985	28,867,313
Leased equipment	266,653	-	-	-	266,653
Total capital and lease asset, being depreciated/amortized:	<u>194,953,052</u>	<u>1,059,718</u>	<u>-</u>	<u>1,485,534</u>	<u>197,498,304</u>
Less accumulated depreciation/amortization for:					
Buildings	(1,189,480)	(92,521)	-	-	(1,282,001)
Utility plant	(88,118,227)	(3,685,648)	-	-	(91,803,875)
Other improvements	(6,527,336)	(154,760)	-	-	(6,682,096)
Machinery and equipment	(19,247,024)	(1,640,946)	-	-	(20,887,970)
Leased equipment	(93,093)	(96,948)	-	-	(190,041)
Total accumulated depreciation/amortization	<u>(115,175,160)</u>	<u>(5,670,823)</u>	<u>-</u>	<u>-</u>	<u>(120,845,983)</u>
Total capital and lease assets being depreciated/amortized, net	<u>79,777,892</u>	<u>(4,611,105)</u>	<u>-</u>	<u>1,485,534</u>	<u>76,652,321</u>
Business-type Activities - Net	<u>\$ 83,721,617</u>	<u>\$ 1,777,303</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,498,920</u>

CITY OF NORTH RICHLAND HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

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

	Depreciation/ Amortization Expense
Governmental Activities:	
General government	\$ 3,589,671
Public safety	1,075,309
Culture and recreation	3,138,659
Public works	5,751,370
Facilities and construction	31,471
Fleet services	230,945
Self insurance	1,124
Information systems	399,252
Total Governmental Activities	\$ 14,217,801
	Depreciation/ Amortization Expense
Business-type Activities:	
Water and sewer	\$ 4,395,889
Aquatic park	952,337
Golf course	322,597
Total Business-type Activities	\$ 5,670,823

Construction Commitments

The City has active construction projects as of September 30, 2023. 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	\$ 52,941,467	\$ 19,576,064	\$ 33,365,403

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	\$ 838,872
General Capital Projects	13,910,205
Grants	2,947,359
Nonmajor Governmental Funds	123,127
Utility	4,730,578
Aquatic	298,814
Internal Service Funds	2,926,980
Total	\$ 25,775,935

CITY OF NORTH RICHLAND HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

D. Interfund Receivables, Payables, and Transfers

Current Interfund Balances. At September 30, 2023, the City had current interfund balances as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Information Technology Fund (Internal Service)	\$ 283,622

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, 2023 was \$500,000.

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

	Transfer in:							Total
	General Fund	General Capital Projects	General Debt Service	Parks and Recreation Development	Grants	Non-major Governmental	Internal Service Funds	
Transfers out:								
Governmental:								
General Fund	\$ -	\$ 1,589,812	\$ -	\$ 487,102	\$ 432,882	\$ -	\$ 190,848	\$ 2,700,644
Capital Projects	-	-	-	-	-	-	3,215,901	3,215,901
Parks and Recreation Development	469,207	1,168,000	442,005	-	-	172,748	-	2,251,960
Non-major Governmental	-	304,000	205,344	-	431,488	-	-	940,832
Subtotal governmental funds	469,207	3,061,812	647,349	487,102	864,370	172,748	3,406,749	9,109,337
Proprietary:								
Utility	4,482,924	-	-	-	-	-	175,000	4,657,924
Subtotal enterprise funds	4,482,924	-	-	-	-	-	175,000	4,657,924
Internal service funds	467,112	1,521,853	234,300	-	-	-	62,000	2,285,265
Total	<u>\$ 5,419,243</u>	<u>\$ 4,583,665</u>	<u>\$ 881,649</u>	<u>\$ 487,102</u>	<u>\$ 864,370</u>	<u>\$ 172,748</u>	<u>\$ 3,643,749</u>	<u>\$ 16,052,526</u>

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 2023, the City of North Richland Hills made one-time transfers. These transfers included:

- a. General Fund received a total of \$5,419,243 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. The Utility fund transferred \$4,482,924 for payment of administrative fees, payment in lieu of tax and franchise fees. Internal Service funds transferred \$467,112 to offset debt service impacts associated with capital equipment and vehicle purchases.
- b. General Capital Projects fund received \$1,589,812 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 \$1,168,000 for capital projects associated with the Parks system. Gas Development fund transferred \$250,000 for capital projects and \$54,000 was transferred from the Donations fund. Internal service funds transferred \$1,521,853 for capital projects.
- c. General Debt Service fund received transfers from self-supporting debt repayment sources. Parks and Recreation Development fund and non-major governmental funds transferred \$442,005 and \$205,344, respectively. Internal service funds transferred \$234,300 for debt repayments during the year.

CITY OF NORTH RICHLAND HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

- d. Parks and Recreation Development fund received a transfer for the General Fund's annual contribution for the NRH Recreation Centre operations in the amount of \$487,102.
- e. Grants fund received \$432,882 from the General Fund for local required funding for grants and \$431,488 from non-major governmental funds for the portion of salary expense designated to be funded by ARPA funds.
- f. Non-major Governmental funds received \$172,748 from the Parks and Recreation Development fund for economic development projects.
- g. Information Technology internal service fund received \$190,848 transferred from the General Fund and \$175,000 transferred from the Utility fund to help offset non-capital project related costs above normal operations. The Facilities and Construction Services internal service fund and the Information Technology internal service fund received \$1,096,158 and \$2,119,743, respectively, from the Capital Projects fund for capital project related costs. In addition, the Fleet Service internal service fund received \$62,000 from the Facilities Services internal service.

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:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Principal Amount</u>
Governmental activities	2.00 - 5.00%	\$ 74,190,000
Business-type activities	2.00 - 5.00%	2,025,000
		<u>\$ 76,215,000</u>

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

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 6,065,000	\$ 2,629,335	\$ 395,000	\$ 69,325
2025	6,010,000	2,327,401	395,000	56,775
2026	6,000,000	2,131,238	385,000	43,238
2027	5,820,000	1,920,365	330,000	29,300
2028	5,805,000	1,696,199	295,000	15,675
2029-2033	24,285,000	5,435,891	225,000	5,400
2034-2038	12,020,000	2,367,544	-	-
2039-2043	8,185,000	585,500	-	-
	<u>\$ 74,190,000</u>	<u>\$ 19,093,473</u>	<u>\$ 2,025,000</u>	<u>\$ 219,713</u>

Private placement general obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Principal Amount</u>
Governmental activities	2.00 - 5.00%	\$ 235,000
Business-type activities	2.00 - 5.00%	80,000
		<u>\$ 315,000</u>

CITY OF NORTH RICHLAND HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

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

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 60,000	\$ 4,695	\$ 20,000	\$ 1,603
2025	60,000	3,321	20,000	1,145
2026	60,000	1,947	20,000	687
2027	55,000	630	20,000	229
	<u>\$ 235,000</u>	<u>\$ 10,593</u>	<u>\$ 80,000</u>	<u>\$ 3,664</u>

Certificates of Obligation

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

Certificates of Obligation bonds currently outstanding are as follows:

Purpose	Interest Rates	Principal Amount
Governmental activities	1.25 - 5.00%	\$ 32,870,000
Business-type activities	1.25 - 5.00%	27,035,000
		<u>\$ 59,905,000</u>

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

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 4,310,000	\$ 1,292,214	\$ 1,885,000	\$ 1,008,159
2025	4,075,000	1,113,689	1,825,000	936,073
2026	3,725,000	950,233	1,820,000	865,032
2027	3,435,000	797,380	1,820,000	792,242
2028	2,725,000	660,380	1,820,000	717,608
2029-2033	10,530,000	1,816,513	8,565,000	2,559,363
2034-2038	3,855,000	219,278	6,670,000	1,132,357
2039-2042	215,000	4,225	2,630,000	197,606
	<u>\$ 32,870,000</u>	<u>\$ 6,853,912</u>	<u>\$ 27,035,000</u>	<u>\$ 8,208,440</u>

CITY OF NORTH RICHLAND HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

Private placement certificates of obligation currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Principal Amount</u>
Governmental activities	N/A	\$ -
Business-type activities	1.57%	755,000
		<u>\$ 755,000</u>

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

Year Ending September 30,	Governmental Activities		Business-type Activities	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ -	\$ -	\$ 60,000	\$ 11,383
2025	-	-	60,000	10,441
2026	-	-	60,000	9,499
2027	-	-	60,000	8,557
2028	-	-	60,000	7,615
2029-2033	-	-	290,000	24,100
2034-2036	-	-	165,000	3,886
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 755,000</u>	<u>\$ 75,481</u>

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:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Principal Amount</u>
Governmental activities	4.50 - 5.63%	\$ 7,870,000

CITY OF NORTH RICHLAND HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

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

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2024	\$ 190,000	\$ 418,681
2025	195,000	409,813
2026	205,000	400,719
2027	215,000	390,369
2028	230,000	379,513
2029-2033	1,305,000	1,710,981
2034-2038	1,720,000	1,317,981
2039-2043	1,575,000	828,625
2044-2048	1,505,000	447,469
2049-2050	730,000	59,394
	<u>\$ 7,870,000</u>	<u>\$ 6,363,545</u>

Lease Liabilities

The City leases property and equipment from various third parties to conduct its operations, the terms of which expire 2024 through 2025. 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, 2023, the value of the lease liabilities was \$72,047 for governmental activities and \$82,625 for business-type activities. Incremental borrowing rates of 0.9160 percent to 3.1570 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 \$152,386 for governmental activities and \$266,653 for business-type activities and had accumulated amortization of \$84,735 for governmental activities and \$190,041 business-type activities.

Purpose	Interest Rates	Principal Amount
Governmental activities	0.9160% - 1.3884%	\$ 72,047
Business-type activities	0.9160% - 3.1570%	82,625
		<u>\$ 154,672</u>

The future principal and interest payments for lease liabilities as of September 30, 2023, are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 43,826	\$ 519	\$ 80,376	\$ 1,152
2025	28,221	113	2,249	7
	<u>\$ 72,047</u>	<u>\$ 632</u>	<u>\$ 82,625</u>	<u>\$ 1,159</u>

Subscription Liabilities

The City has subscription IT arrangements to conduct its operations, the terms of which expire 2024 through 2027. 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.

CITY OF NORTH RICHLAND HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

An initial subscription liability was recorded in the amount of \$439,255 during fiscal year 2023. As of September 30, 2023, the value of the subscription liabilities was \$377,838. An incremental borrowing rate of 3.1440 percent to 3.3050 percent was used to measure subscription liabilities. The value of the right-to-use subscription assets as of September 30, 2023, was \$586,973 and had accumulated amortization of \$147,378 .

The future principal and interest payments for subscription liabilities as of September 30, 2023, are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2024	\$ 138,440	\$ 11,502
2025	123,400	7,595
2026	111,256	3,676
2027	4,742	157
	<u>\$ 377,838</u>	<u>\$ 19,097</u>

Long-term liability activity for the year ended September 30, 2023, is reflected in the following tables.

	Beginning Balance *	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 68,730,000	\$ 11,280,000	\$ (5,820,000)	\$ 74,190,000	\$ 6,065,000
General obligation bonds- Private placement	300,000	-	(65,000)	235,000	60,000
Certificates of obligation	31,500,000	6,340,000	(4,970,000)	32,870,000	4,310,000
Special assessment bonds	8,050,000	-	(180,000)	7,870,000	190,000
Lease liabilities	98,052	16,998	(43,003)	72,047	43,826
Subscription liabilities	439,255	124,068	(185,485)	377,838	138,440
Premium on bond issues	6,866,307	1,648,072	(1,094,382)	7,419,997	-
Compensated absences	3,859,094	2,162,276	(1,426,047)	4,595,323	288,355
Total Governmental Activities	<u>\$ 119,842,708</u>	<u>21,571,414</u>	<u>(13,783,917)</u>	<u>127,630,205</u>	<u>11,095,621</u>
Business-type Activities:					
Bonds payable:					
General obligation bonds	\$ 2,540,000	\$ -	\$ (515,000)	\$ 2,025,000	\$ 395,000
General obligation bonds- Private placement	100,000	-	(20,000)	80,000	20,000
Certificates of obligation	20,680,000	7,865,000	(1,510,000)	27,035,000	1,885,000
Certificates of obligation - Private placement	815,000	-	(60,000)	755,000	60,000
Leases	175,738	-	(93,113)	82,625	80,376
Premium on bond issues	993,538	260,147	(107,768)	1,145,917	-
Compensated absences	486,283	247,647	(151,770)	582,160	64,792
Total Business-type Activities	<u>\$ 25,790,559</u>	<u>\$ 8,372,794</u>	<u>\$ (2,457,651)</u>	<u>\$ 31,705,702</u>	<u>\$ 2,505,168</u>

* Beginning Balance amounts have been restated for GASB 96

The liability for compensated absences and 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.

CITY OF NORTH RICHLAND HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

Current Year Debt Issuances

In May 2023, the City issued Series 2023 General Obligation Bonds in the amount of \$11,280,000. The bonds were issued at a premium of \$1,555,405 and mature in fiscal year 2043 with interest rates ranging from 4.00% to 5.00%. The proceeds of the sale will be used for (i) constructing, renovating, equipping, and improving various City streets, roads, and intersections, and related curb, gutter, sidewalk, trail, drainage and utility infrastructure improvements, and the acquisition of land, easements, rights-of-way, and other real property interests necessary, and (ii) professional services rendered in relation to such projects and the financing thereof.

In November 2022, the City issued Series 2022A Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation in the amount of \$14,205,000. The certificates were issued at a premium of \$352,814 and mature in fiscal year 2042 with interest rates ranging from 4.00% to 5.00%. The proceeds of the sale will be used for (i) constructing, renovating, equipping, and improving various City streets, roads, and intersections, and related curb, gutter, sidewalk, trail, drainage and utility infrastructure improvements, and the acquisition of land, easements, rights-of-way, and other real property interests necessary therefor, (ii) constructing, acquiring, purchasing, renovating, enlarging, equipping, and improving the City's water and sewer system facilities, including the acquisition of land and rights-of-way therefor, (iii) acquiring fleet vehicles and equipment for various City departments, including the fire/emergency services department and public works, and (iv) professional services rendered in relation to such projects and the financing thereof.

CITY OF NORTH RICHLAND HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

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 \$175,000 and/or \$10,386,756 in the aggregate for a 12-month period beginning on January 1, 2022. Changes in the balances of claims liabilities during the past two years are as follows:

	<u>2023</u>	<u>2022</u>
Unpaid claims, beginning of year	\$ 920,045	\$ 1,129,330
Incurred claims (including IBNR)	11,905,933	9,998,100
Claim payments	<u>(12,087,978)</u>	<u>(10,207,385)</u>
Unpaid claims, end of year	<u>\$ 738,000</u>	<u>\$ 920,045</u>

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*. In accordance with this statement and tax law, the City has amended its trust agreements which establish that all assets and income of the trust are for the exclusive benefit of eligible employees and their beneficiaries. Due to the implementation of these changes, the City does not have any fiduciary responsibility or administrative duties relating to the deferred compensation plan other than remitting employees’ contributions to the trustees. Accordingly, the City has not presented the assets and liabilities of the Plan in these basic financial statements.

CITY OF NORTH RICHLAND HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

D. Defined Benefit Pension Plan

Plan Description

The City of North Richland Hills participates as one of over 920 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

CITY OF NORTH RICHLAND HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Employees Covered by Benefit Terms

At the December 31, 2022, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	456
Inactive employees entitled to but not yet receiving benefits	372
Active employees	554
	<u>1,382</u>

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 earnings during the fiscal year. The contribution rates for the City of North Richland Hills were 16.81% and 17.19% in calendar years 2022 and 2023, respectively. The City’s contributions to TMRS for the year ended September 30, 2023 were \$7,447,454, and were equal to the required contributions.

Net Pension Liability

The City’s Net Pension Liability (NPL) was measured as of December 31, 2022, 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, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
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 the Public Safety table used for males and 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. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4- year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP 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, 2014 to December 31, 2018. The assumptions were adopted in 2019 and first used in the December 31, 2019, 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 shortterm and long-term funding needs of TMRS.

CITY OF NORTH RICHLAND HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

The long-term expected rate of return on pension plan investment was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equities	35.0%	7.70%
Core Fixed Income	6.0%	4.90%
Non-Core Fixed Income	20.0%	8.70%
Other Public and Private Markets	12.0%	8.10%
Real Estate	12.0%	5.80%
Hedge Funds	5.0%	6.90%
Private Equity	10.0%	11.80%
Total	<u>100.0%</u>	

Discount Rate

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

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, 2023, those percentages were 83% and 17%, respectively, which approximated the prior year's allocations.

CITY OF NORTH RICHLAND HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at October 1, 2022	\$ 302,254,696	\$ 298,033,983	\$ 4,220,713
Changes for the year:			
Service cost	7,471,479	-	7,471,479
Interest	20,215,755	-	20,215,755
Difference between expected and actual experience	1,618,053	-	1,618,053
Contributions - employer	-	6,841,395	(6,841,395)
Contributions - employee	-	2,848,888	(2,848,888)
Net investment income	-	(21,744,788)	21,744,788
Benefits payments, including refunds of employee contributions	(12,995,547)	(12,995,547)	-
Administrative expense	-	(188,258)	188,258
Other changes	-	224,647	(224,647)
Net changes	16,309,740	(25,013,663)	41,323,403
Balance at September 30, 2023	\$ 318,564,436	\$ 273,020,320	\$ 45,544,116

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

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

	1% Decrease in Discount Rate (5.75)%	Discount Rate (6.75)%	1% Increase in Discount Rate (7.75)%
City's Net Pension Liability	\$ 90,195,582	\$ 45,544,116	\$ 8,902,996

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.

CITY OF NORTH RICHLAND HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2023, the City recognized pension expense of \$11,385,806.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ 18,768,893	\$ -
Difference in assumption changes	44,717	-
Difference between expected and actual experience	3,404,180	20,139
Contributions subsequent to the measurement date	<u>5,704,280</u>	<u>-</u>
	<u>\$ 27,922,070</u>	<u>\$ 20,139</u>

\$5,704,280 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year	Amount
2024	\$ 2,139,573
2025	5,838,005
2026	5,756,074
2027	<u>8,463,999</u>
	<u>\$ 22,197,651</u>

CITY OF NORTH RICHLAND HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

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:

<u>Plan Rule</u>	<u>Multiplier</u>
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, 2022, was used for the September 30, 2023, liability and expense. The information that follows was determined as of a valuation date of December 31, 2021:

Retirees and beneficiaries	182
Inactive, nonretired members	-
Active members	544
Total	<u>726</u>

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, 2022, the City's contributions to the plan were \$949,944, which consist of a trust contribution of \$100,000 and benefit payments for health insurance of \$849,944.

CITY OF NORTH RICHLAND HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Net OPEB Liability

The City's net OPEB liability was measured as of December 31, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021.

Actuarial Assumptions

The total OPEB liability in the actuarial valuation was based on an actuarial valuation performed as of December 31, 2021. The following are the significant actuarial methods and assumptions:

Actuarial Valuation Date: December 31, 2021

Methods and Assumptions:

Actuarial Cost Method	Individual Entry-Age Normal
Single Discount Rate	4.37% as of December 31, 2022 (2.45% in prior year)
Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS).
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements.
Health Care Trend Rates	Initial rate of 7.00% declining to an ultimate rate of 4.15% after 13 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 2.45% as of December 31, 2021 to 4.37% as of December 31, 2022.

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 4.05% (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 4.37%.

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, 2023, those percentages were 90% and 10%, respectively, which approximated the prior year's allocations.

CITY OF NORTH RICHLAND HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

Changes in Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at December 31, 2021	\$ 35,622,662	\$ 2,987,507	\$ 32,635,155
Service cost	1,313,361	-	1,313,361
Interest	878,432	-	878,432
Changes of benefit terms	2,619,863	-	2,619,863
Difference between expected and actual experience	(1,131,561)	-	(1,131,561)
Changes of assumptions	(6,402,288)	-	(6,402,288)
Contributions - employer	-	949,944	(949,944)
Net investment income	-	(436,311)	436,311
Benefit payments, including refunds of employee contributions	(849,944)	(849,944)	-
Administrative expense	-	(15,956)	15,956
Net changes	(3,572,137)	(352,267)	(3,219,870)
Balance at December 31, 2022	\$ 32,050,525	\$ 2,635,240	\$ 29,415,285

Changes of benefit terms reflect an expansion of the definition of years of service as it pertains to eligibility of benefits. Changes of assumptions reflect a change in the Single Discount Rate from 2.45% as of December 31, 2021 to 4.37% as of December 31, 2022.

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 \$949,944 consists of a trust contribution of \$100,000 and benefit payments of \$849,944, 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 4.37%, 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 (3.37)%	Discount Rate (4.37)%	1% Increase in Discount Rate (5.37)%
City's Net OPEB Liability	\$ 32,536,813	\$ 29,415,285	\$ 26,687,911

CITY OF NORTH RICHLAND HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

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:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
City's Net OPEB Liability	\$ 25,960,266	\$ 29,415,285	\$ 33,575,312

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, 2023. The plan's Fiduciary Net Position as a percentage of Total OPEB Liability was 8.22% at September 30, 2023.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2023, the City recognized an OPEB expense of \$2,113,049.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference in assumption changes	\$ 2,218,189	\$ 6,085,620
Difference between expected and actual experience	336,837	9,500,159
Contributions subsequent to the measurement date	1,095,131	-
	<u>\$ 3,650,157</u>	<u>\$ 15,585,779</u>

\$1,095,131 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, 2024. 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,	<u>Amount</u>
2024	\$ (2,573,078)
2025	(2,567,081)
2026	(2,485,603)
2027	(1,876,559)
2028	(1,348,741)
Thereafter	(2,179,691)
	<u>\$ (13,030,753)</u>

CITY OF NORTH RICHLAND HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (continued)

F. Tax Incentive Rebates

The City of North Richland Hills currently has one (1) 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 2023 was \$127,975.

G. Restatement of Prior Year Financial Statements

An error correction was made to the governmental activities due to the City not properly recording unearned revenue in the prior year in connection with resources that had been received, but not yet earned, primarily related to grant dollars received in advance of incurring eligible expenditures. The following financial statement line items for the year ended September 30, 2023, were affected by the error correction:

	<u>Government-Wide</u>
	<u>Governmental</u>
	<u>Activities</u>
Net Position, Beginning of Year,	
as Previously Reported	\$ 299,256,766
Correction of Error	
Unearned revenue	<u>(10,667,681)</u>
Net Position, Beginning of Year,	
as Restated	<u>\$ 288,589,085</u>

The correction of error above had the following impact on change in prior year net position as follows: decrease in change in net position by approximately \$10,667,700 for governmental activities.

H. Subsequent Events

In October 2023, the City issued \$5,815,000 of Series 2023A General Obligation bonds. Proceeds from the sale of the bonds will be used for (i) constructing, renovating, equipping, and improving various City streets, roads, and intersections, and related curb, gutter, sidewalk, trail, drainage and utility infrastructure improvements, and the acquisition of land, easements, right-of-ways, and other real property interests necessary therefor or incidental thereto, and (ii) professional services rendered in relation to such projects and the financing thereof.

Required Supplementary Information



Progress continued this year on North Richland Hills' \$49 million Street Bond Program, which was approved by voters in 2020 to reconstruct 27 of our city streets.

Residential street reconstruction projects completed in 2023 included Meadow Oak Drive, Pearl Street, Southampton Drive, Dawn Drive, Stonybrooke Drive, Nob Hill Drive.

Major Streets under construction in 2023 included Iron Horse Boulevard East, Iron Horse Boulevard West, and Bedford Eules Road.

128 streets were improved through the Preventive Street Maintenance Program, including asphalt overlays on 21 streets and slurry seals on 42 streets. New traffic signals were installed on two intersection to improve safety and traffic signal timing improvements were made along two major throughfares to improve safety and traffic flow.



**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 Nine Measurement Years**

	Measurement Year December 31,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service cost	\$ 7,471,479	\$ 7,090,461	\$ 6,818,264	\$ 6,689,567	\$ 6,406,497	\$ 6,191,617	\$ 5,991,326	\$ 5,732,122	\$ 5,572,383
Interest (on the total pension liability)	20,215,755	19,044,318	18,175,404	17,239,979	16,482,949	15,687,433	14,990,680	14,861,355	14,176,755
Difference between expected and actual experience	1,618,053	3,813,382	(58,137)	767,788	(455,398)	523,226	(1,803,452)	(1,819,900)	(1,880,743)
Change of assumptions	-	-	-	409,737	-	-	-	(452,493)	-
Benefit payments, including refunds of employee contributions	(12,995,547)	(12,572,548)	(11,825,125)	(10,801,408)	(11,919,243)	(9,529,337)	(8,383,529)	(8,959,709)	(7,376,810)
Net Change in Total Pension Liability	16,309,740	17,375,613	13,110,406	14,305,663	10,514,805	12,872,939	10,795,025	9,361,375	10,491,585
Total Pension Liability - Beginning	302,254,696	284,879,083	271,768,677	257,463,014	246,948,209	234,075,270	223,280,245	213,918,870	203,427,285
Total Pension Liability - Ending (a)	<u>\$ 318,564,436</u>	<u>\$ 302,254,696</u>	<u>\$ 284,879,083</u>	<u>\$ 271,768,677</u>	<u>\$ 257,463,014</u>	<u>\$ 246,948,209</u>	<u>\$ 234,075,270</u>	<u>\$ 223,280,245</u>	<u>\$ 213,918,870</u>
Plan Fiduciary Net Position									
Contributions - employer	\$ 6,841,395	\$ 6,517,324	\$ 6,081,331	\$ 6,008,691	\$ 5,737,359	\$ 5,623,410	\$ 5,409,161	\$ 5,468,306	\$ 5,636,415
Contributions - employee	2,848,888	2,710,717	2,605,232	2,604,392	2,491,416	2,410,529	2,328,666	2,280,541	2,236,673
Net investment income	(21,744,788)	34,769,354	19,045,720	33,921,847	(6,894,711)	28,219,967	12,939,363	284,162	10,400,524
Benefit payments, including refunds of employee contributions	(12,995,547)	(12,572,548)	(11,825,125)	(10,801,408)	(11,919,243)	(9,529,337)	(8,383,529)	(8,959,709)	(7,376,810)
Administrative expense	(188,258)	(160,913)	(123,279)	(191,704)	(133,257)	(146,245)	(146,139)	(173,081)	(108,580)
Other	224,648	1,102	(4,810)	(5,759)	(6,962)	(7,411)	(7,874)	(8,547)	(8,929)
Net Change in Plan Fiduciary Net Position	(25,013,662)	31,265,036	15,779,069	31,536,059	(10,725,398)	26,570,913	12,139,648	(1,108,328)	10,779,293
Plan Fiduciary Net Position - Beginning	298,033,982	266,768,946	250,989,877	219,453,818	230,179,216	203,608,303	191,468,655	192,576,983	181,797,690
Plan Fiduciary Net Position - Ending (b)	<u>\$ 273,020,320</u>	<u>\$ 298,033,982</u>	<u>\$ 266,768,946</u>	<u>\$ 250,989,877</u>	<u>\$ 219,453,818</u>	<u>\$ 230,179,216</u>	<u>\$ 203,608,303</u>	<u>\$ 191,468,655</u>	<u>\$ 192,576,983</u>
Net Pension Liability - Ending (a) - (b)	\$ 45,544,116	\$ 4,220,714	\$ 18,110,137	\$ 20,778,800	\$ 38,009,196	\$ 16,768,993	\$ 30,466,967	\$ 31,811,590	\$ 21,341,887
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	85.70%	98.60%	93.64%	92.35%	85.24%	93.21%	86.98%	85.75%	90.02%
Covered Payroll	\$ 40,672,177	\$ 38,724,529	\$ 37,217,597	\$ 37,205,542	\$ 35,591,651	\$ 34,436,087	\$ 33,266,663	\$ 32,568,873	\$ 31,952,469
Net Pension Liability as a Percentage of Covered Payroll	111.98%	10.90%	48.66%	55.85%	106.79%	48.70%	91.58%	97.67%	66.79%

Changes in assumptions: In the 2015 valuation, the investment rate of return decreased from 7.0% to 6.75%, the discount rate decreased from 7.0% to 6.75%, and the inflation rate decreased from 3.0% to 2.5%

The information in this schedule has been determined as of the measurement date (December 31) of the City's net pension liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provisions of GASB 68, only periods of which such information is available are presented.

CITY OF NORTH RICHLAND HILLS, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM PLAN
SCHEDULE OF PENSION CONTRIBUTIONS
For the Last Nine Fiscal Years

	Fiscal Year								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 7,447,454	\$ 6,677,664	\$ 6,384,064	\$ 6,318,501	\$ 5,905,942	\$ 5,727,471	\$ 5,559,812	\$ 5,417,111	\$ 5,528,987
Contributions in relation to the actuarially determined contribution	7,447,454	6,677,664	6,384,064	6,318,501	5,905,942	5,727,471	5,559,812	5,417,111	5,528,987
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Covered payroll \$ 43,553,577 \$ 39,820,111 \$ 38,194,320 \$ 38,791,732 \$ 36,587,770 \$ 35,403,126 \$ 34,086,933 \$ 33,017,098 \$ 32,471,592

Contributions as a percentage of covered payroll 17.10% 16.77% 16.71% 16.29% 16.14% 16.18% 16.31% 16.41% 17.03%

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 22 Years (logest amortization ladder)
Asset Valuation Method 10 Year Smoothed Market; 12% soft corridor
Inflation 2.50%
Salary Increases 3.50% to 11.50% including inflation
Investment Rate of Return 6.75%
Retirement Age Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Pre-retirement: PUB (10) mortality tables, with Public Safety table used for males and the General Employee table used for females. Rates projected on fully generational basis with scale UMP.

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

The information in this schedule has been determined as of the measurement date (December 31) of the City's net pension liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provisions of GASB 68, only periods of which such information is available are presented.

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 Six Measurement Years

	Measurement Year December 31,					
	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service cost	\$ 1,313,361	\$ 1,346,438	\$ 1,181,994	\$ 1,415,009	\$ 1,380,982	\$ 3,033,865
Interest on the total OPEB liability	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	(1,131,561)	(4,824,354)	(739,254)	(9,119,458)	(424,223)	-
Change of assumptions	(6,402,288)	602,574	2,282,881	471,134	(1,473,549)	678,308
Benefit payments	(849,944)	(956,992)	(1,435,968)	(1,377,599)	(2,036,450)	(2,192,748)
Net Change in Total OPEB Liability	(3,572,137)	(2,820,034)	2,465,539	(6,862,301)	(941,139)	(31,548,141)
Total OPEB Liability - Beginning	35,622,662	38,442,696	35,977,157	42,839,458	43,780,597	75,328,738
Total OPEB Liability - Ending (a)	\$ 32,050,525	\$ 35,622,662	\$ 38,442,696	\$ 35,977,157	\$ 42,839,458	\$ 43,780,597
Plan Fiduciary Net Position						
Contributions - employer	\$ 949,944	\$ 1,056,992	\$ 1,535,968	\$ 1,477,599	\$ 2,136,450	\$ 2,292,748
Net investment income	(436,311)	249,744	310,555	333,159	(79,800)	212,194
Benefit payments	(849,944)	(956,992)	(1,435,968)	(1,377,599)	(2,036,450)	(2,192,748)
Administrative expense	(15,956)	(16,855)	(13,443)	(11,962)	(10,939)	(8,770)
Net Change in Plan Fiduciary Net Position	(352,267)	332,889	397,112	421,197	9,261	303,424
Plan Fiduciary Net Position - Beginning	2,987,507	2,654,618	2,257,506	1,836,309	1,827,048	1,523,624
Plan Fiduciary Net Position - Ending (b)	\$ 2,635,240	\$ 2,987,507	\$ 2,654,618	\$ 2,257,506	\$ 1,836,309	\$ 1,827,048
Net OPEB Liability - Ending (a) - (b)	\$ 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	8.22%	8.39%	6.91%	6.27%	4.29%	4.17%
Covered Payroll	\$ 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	72.32%	84.28%	96.16%	90.63%	118.66%	125.40%

Changes of assumptions reflect a change in the Single Discount Rate from 2.45% as of December 31, 2021 to 4.37% as of December 31, 2022. The following are the discount rates used in each of the periods:

2022	4.37%
2021	2.45%
2020	2.62%
2019	3.28%
2018	4.08%
2017	3.71%

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 include trust contributions of \$100,000 and benefit payments of \$849,944, which were paid by the City using its own assets.

CITY OF NORTH RICHLAND HILLS, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND
For the Year Ended September 30, 2023

	Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 43,274,120	\$ 45,043,761	\$ 44,951,422	\$ (92,339)
Fines and forfeitures	1,915,328	1,131,457	1,318,738	187,281
Licenses and permits	2,550,220	1,934,042	1,889,828	(44,214)
Charges for services	2,556,175	2,514,104	3,165,534	651,430
Intergovernmental	5,322,110	5,322,110	5,390,060	67,950
Miscellaneous	2,227,569	4,130,893	4,776,809	645,916
Appropriation of fund balance	101,756	633,808	-	(633,808)
Total Revenues	57,947,278	60,710,175	61,492,391	782,216
Expenditures				
City council	133,265	133,538	102,148	31,390
City manager	859,158	888,088	846,784	41,304
Communications	545,816	500,118	479,979	20,139
City secretary	528,571	628,996	668,340	(39,344)
Legal	676,316	713,128	655,658	57,470
Human resources	167,895	204,907	185,273	19,634
Finance	884,503	885,752	860,144	25,608
Budget and research	487,900	499,427	485,229	14,198
Municipal court	1,568,159	1,630,929	1,502,023	128,906
Planning and inspections	1,523,026	1,529,005	1,450,025	78,980
Economic development	389,396	393,295	370,296	22,999
Library	2,509,867	2,539,553	2,461,075	78,478
Neighborhood services	2,294,343	2,444,972	2,356,355	88,617
Public works	3,667,215	3,724,529	3,421,820	302,709
Parks and recreation	2,051,542	2,056,378	1,975,652	80,726
Police	17,919,951	18,061,729	17,532,425	529,304
Fire	15,952,471	16,467,674	15,775,536	692,138
Non-departmental	3,519,334	2,992,198	2,760,646	231,552
Facilities and construction management	899,730	899,730	899,730	-
Sub-total departments	56,578,458	57,193,946	54,789,138	2,404,808
Other & Reserves				
Capital project transfers	1,050,000	1,239,422	1,589,512	(350,090)
Operational transfers	190,848	190,848	190,848	-
Public educational governmental (PEG) reserve	65,000	65,000	65,000	-
Planned contributions to fund balance	62,972	2,020,959	2,020,959	-
Sub-total other & reserves	1,368,820	3,516,229	3,866,319	(350,090)
Total Expenditures	57,947,278	60,710,175	58,655,457	2,054,718
Net Increase (Decrease)	\$ -	\$ -	2,836,934	\$ 2,836,934
Reconciliation between budgetary basis actual and GAAP				
Planned Contributions			2,020,959	
Miscellaneous			(295,692)	
Capital outlay			38,878	
Debt service principal payments			33,154	
Net change in fund balance (deficit) - GAAP			\$ 4,634,233	

CITY OF NORTH RICHLAND HILLS, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL - PARKS AND RECREATION DEVELOPMENT CORPORATION FUND
For the Year Ended September 30, 2023

	Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 6,175,215	\$ 6,900,000	\$ 6,909,918	\$ 9,918
NRH Centre	3,303,213	3,797,072	3,915,470	118,398
Tennis Center	471,250	471,250	531,249	59,999
Athletic program service	213,000	164,000	111,640	(52,360)
Park impact fee	95,000	65,000	12,154	(52,846)
Youth association maintenance fees	16,300	16,300	21,174	4,874
Other income	34,821	122,851	216,859	94,008
Appropriation of fund balance	433,748	544,214	-	(544,214)
Total Revenues	<u>10,742,547</u>	<u>12,080,687</u>	<u>11,718,464</u>	<u>(362,223)</u>
Expenditures				
Operating:				
Park facilities development administration	745,006	746,730	760,641	(13,911)
Maintenance and operations	2,258,327	2,273,530	2,112,482	161,048
NRH Centre	3,278,961	3,664,882	3,559,169	105,713
Tennis center operations	604,587	613,243	635,684	(22,441)
Athletic program services	237,680	237,680	151,109	86,571
Non-departmental	72,866	70,222	59,070	11,152
Sub-total operating	<u>7,197,427</u>	<u>7,606,287</u>	<u>7,278,155</u>	<u>328,132</u>
Other & Reserves:				
Debt service payment	442,005	442,005	442,005	-
Capital project transfers	1,098,000	1,168,000	1,168,000	-
Indirect cost and economic development transfers	672,337	690,457	673,949	16,508
Planned contributions to fund balance	1,332,778	2,173,938	2,156,355	17,583
Sub-total other & reserves	<u>3,545,120</u>	<u>4,474,400</u>	<u>4,440,309</u>	<u>34,091</u>
Total Expenditures	<u>10,742,547</u>	<u>12,080,687</u>	<u>11,718,464</u>	<u>362,223</u>
Net Increase (Decrease)	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Reconciliation between budgetary basis actual and GAAP				
Planned Contributions			2,156,355	
Miscellaneous			(74,351)	
Debt service principal payments			442,005	
Transfers in/out			(410,011)	
Net change in fund balance (deficit) - GAAP			<u>\$ 2,113,998</u>	

CITY OF NORTH RICHLAND HILLS, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2023

Note A - Budgetary Information

The City Council adopts an annual legal budget, which covers the Governmental Funds, Enterprise and Internal Service Funds, with the exception of the Economic Development Fund. 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 July 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 the proposed budget and proposed 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 appropriated 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 in order to avoid over-expenditure of particular 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.

CITY OF NORTH RICHLAND HILLS, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (continued)
For the Year Ended September 30, 2023

Note A - Budgetary Information (continued)

Legally Adopted Fund	Original	Final	Increase (Decrease)	Explanation
General Fund	\$ 57,947,278	\$ 60,710,175	\$ 2,762,897	The majority of the change was due to an increase to the Planned Contribution to Fund Balance in the amount +\$1,957,987. The remainder of the change resulted from the following: +\$656,981 for Police and Fire (Public Safety); +\$485,643 increase in revisions to budget as requested by various departments. Offset by a reduction to General Fund Operational Transfers of -\$337,714 driven primarily by eliminating a transfer to the Debt Service fund that was no longer needed.
General Debt	14,457,762	14,469,447	11,685	There was an increase of +\$11,685 in revisions to budget for Paying Agent Fees for the fiscal year.
Parks and Recreation	10,742,547	12,080,687	1,338,140	There was an increase of \$408,860 in revisions to budget as requested by the department. +\$70,000 increase in capital project expenses. +\$18,120 increase to the transfer to Economic Development in direct proportion to its share of the revised Sales Tax estimated for fiscal year 2023. +\$841,160 increase to the Planned Contribution to Reserves.
Promotional	304,278	325,377	21,099	There was an increase of +\$6,000 in revisions to budget as requested by the department plus a +\$15,099 increase to the Planned Contribution to Reserves.

CITY OF NORTH RICHLAND HILLS, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (continued)
For the Year Ended September 30, 2023

Legally Adopted Fund	Original	Final	Increase (Decrease)	Explanation
Donations	234,631	243,915	9,284	There was an increase of +\$8,684 in revisions to budget as requested by various departments.
Special Investigations	290,500	278,250	(12,250)	There was a decrease of -\$12,250 in revisions to budget comprised of an increase of +\$2,750 from Federal Forfeitures and a decrease of -\$15,000 from planned LEOSE training uses.
Drainage Utility Fund	2,722,080	2,748,347	26,267	There was an increase of +\$26,267 in revisions to budget comprised of an increase of +\$3,942 for Operating Expenses and an increase of +\$22,325 for Planned Contributions to Fund Balance.
Crime Control District	6,715,617	7,779,999	1,064,382	There was an increase of +\$472,212 in revisions to budget for new software and other public safety equipment, an additional transfer of +\$50,000 for support from Information Technology, and an increase of +\$542,170 for Planned Contributions to Fund Balance.
Traffic Safety	\$ 112,721	\$ 118,168	5,447	There was an increase of +\$5,447 in revisions to budget for additional Traffic Safety equipment.
Gas Development	711,844	1,098,143	386,299	There was an increase of +\$386,299 in revisions to budget for the Planned Contribution to Reserves.
Utility	41,429,302	45,931,308	4,502,006	There was an increase of +\$3,406,672 in revisions to budget for overall Operating Expenses, primarily consisting of an increase of +\$130,851 in Water Service Expenses, +\$768,285 increase in Sewer Service Expenses, an increase +\$2,456,523 for the Walker Calloway TRA project emergency repair, and an additional +\$51,013 in various Operating Expenses. Planned Contribution to Fund Balanced was increased by +\$1,095,334.
Aquatic Park	4,660,284	4,978,453	318,169	There was an increase of +\$351,230 in revisions to budget for additional Equipment Repair and Maintenance costs during the fiscal year. Other Operating Expenses experienced an increase of +\$85,897 while Planned Contributions to Fund Balance was decreased by -\$118,958.

CITY OF NORTH RICHLAND HILLS, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (continued)
For the Year Ended September 30, 2023

Legally Adopted Fund	Original	Final	Increase (Decrease)	Explanation
Golf	3,345,060	3,349,253	4,193	There was an increase of +\$4,193 in revisions to budget for additional Equipment Repair and Replacement costs during the fiscal year.
Facilities and Construction	3,324,599	3,615,968	291,369	There was an increase of +\$309,207 in revisions to budget for additional Utilities costs during the fiscal year. Other Operating Expenses experienced a decrease of -\$19,382 while Capital Project transfers was increased by +\$1,544.
Fleet Services	4,753,900	6,345,051	1,591,151	There was an increase of +\$1,350,940 in revisions to budget for additional vehicle purchase and replacement costs during the fiscal year. Other Operating Expenses experienced an increase of +\$176,699 while Planned Contributions to Fund Balance was increased by +\$63,511.
Self-Insurance	15,228,074	15,829,450	601,376	There was a decrease of -\$78,497 in revisions to budget for Operating expenditures during the fiscal year. An increase of +\$679,873 in Planned Contributions to Fund Balance was approved.
Information Technology	5,004,665	5,450,428	445,763	There was an increase of +\$258,392 in revisions to budget for additional support delivered to the public safety departments during the fiscal year. Additional technology upgrades resulted in an increase of +\$136,289 while Other Operating Expenses experienced an increase of +\$51,892.
Total	<u>\$ 171,985,142</u>	<u>\$ 185,352,419</u>	<u>\$ 13,367,277</u>	



APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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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 2025," dated December 1, 2024, 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 August 15, 2025, and 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"), unless redeemed prior to maturity in accordance with the terms stated on the Certificates. 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

Page 2 of Legal Opinion of Norton Rose Fulbright US LLP

Re: "City of North Richland Hills, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2025," dated December 1, 2024

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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