

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 7, 2025

NEW ISSUE: BOOK-ENTRY-ONLY

RATINGS: S&P Global Ratings "AA"
See "SALE AND DISTRIBUTION OF THE BONDS - Municipal Bond Ratings"

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Bonds (as defined herein) included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

THE CITY WILL DESIGNATE THE BONDS AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

\$4,000,000*

CITY OF SEABROOK, TEXAS

(A political subdivision of the State of Texas located within Harris County)

GENERAL OBLIGATION BONDS, SERIES 2025

Dated: December 1, 2025

Due: September 1, as shown on page ii

Principal of and interest on the \$4,000,000* City of Seabrook, Texas, General Obligation Bonds, Series 2025 (the "Bonds") are payable by The Bank of New York Mellon Trust Company, N.A., the initial paying agent/registrar (the "Paying Agent/Registrar"). The Bonds are 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 Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., as nominee for DTC, which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein.

Interest on the Bonds will accrue from the Delivery Date (defined below), and will be payable on September 1, 2026, and semiannually thereafter on each succeeding March 1 and September 1 until stated maturity or prior redemption, to the registered owners (initially Cede & Co.) appearing on the registration books of the Paying Agent/Registrar on the last business day of the month next preceding each interest payment date (the "Record Date"). See "THE BONDS - Description."

The Bonds, when issued, will constitute valid and binding obligations of the City of Seabrook, Texas (the "City") and will be payable from the proceeds of a continuing, direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City. See "THE BONDS - Source of Payment of the Bonds."

The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Chapter 1331, Texas Government Code, as amended, an election held within the City on May 3, 2025, and an ordinance (the "Bond Ordinance") to be approved by the City Council (the "City Council") of the City of Seabrook, Texas (the "City") on November 18, 2025. See "THE BONDS - Authorization of the Bonds."

Proceeds from the sale of the Bonds will be used for (i) the construction, acquisition, improvements, renovations, expansion, development and equipping of the municipal pool complex; and (ii) to pay the costs of issuance of the Bonds. See "THE BONDS - Use of Proceeds" and "- Sources and Uses of Funds."

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS **(Due September 1)**

Maturity (September 1)	Principal Amount*	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. 811692 (b)	Maturity (September 1)	Principal Amount*	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. 811692 (b)
2027	\$ 70,000	%	%		2039(c)	\$170,000	%	%	
2028	95,000				2040(c)	200,000			
2029	100,000				2041(c)	175,000			
2030	105,000				2042(c)	180,000			
2031	115,000				2043(c)	190,000			
2032	120,000				2044(c)	200,000			
2033	125,000				2045(c)	210,000			
2034	130,000				2046(c)	220,000			
2035	140,000				2047(c)	230,000			
2036(c)	150,000				2048(c)	240,000			
2037(c)	155,000				2049(c)	250,000			
2038(c)	165,000				2050(c)	265,000			

* Preliminary, subject to change.

- (a) The initial price or yield is furnished by the Initial Purchaser(s) and represents the initial offering yield to the public, which may be changed by the Initial Purchaser(s) at any time.
- (b) 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. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP services. None of the City, the Financial Advisor (hereinafter defined) or the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
- (c) The Bonds maturing on September 1, 2036 and thereafter, are subject to redemption at the option of the City, in whole or from time to time in part, on September 1, 2035 or any date thereafter at par value thereof plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS - Redemption Provisions."

The Bonds are offered for delivery when, as and if issued and received by the winning bidders for the Bonds (the "Initial Purchaser") subject to the approving opinion of the Attorney General of the State and the opinion of Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Bond Counsel for the City. See "APPENDIX C - FORM OF BOND COUNSEL'S OPINION." Delivery of the Bonds through DTC is expected to be on or about December 16, 2025 (the "Delivery Date").

BIDS DUE: TUESDAY, NOVEMBER 18, 2025
AT 10:00 A.M., CENTRAL STANDARD TIME

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any 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 any such jurisdiction.

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

This document, when further supplemented by adding information specifying the interest rates and certain other information relating to the Bonds, shall constitute a "final official statement" of the City with respect to the Bonds, as such term is defined in Rule 15c2-12.

No dealer, broker, salesman or other person has been authorized by the City to give any 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 as having been authorized by the City.

This Official Statement is not to be used in an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the condition of the City or other matters described herein since the date hereof.

The Initial Purchasers have provided the following sentence for inclusion in this Official Statement. The Initial Purchasers have reviewed the information in this Official Statement in accordance with, and as part of their responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Initial Purchasers do not guarantee the accuracy or completeness of such information.

NEITHER THE CITY, THE FINANCIAL ADVISOR, NOR THE INITIAL PURCHASER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING DTC OR ITS BOOK-ENTRY-ONLY SYSTEM.

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT INTENDED AS A SUMMARY OF THIS OFFERING. INVESTORS SHOULD READ THIS ENTIRE OFFICIAL STATEMENT, INCLUDING THE ATTACHED APPENDICES, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS. 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 THE 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.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this official statement for any purpose.

TABLE OF CONTENTS

INTRODUCTORY STATEMENT	4	Analysis of Tax Base.....	25
SALE AND DISTRIBUTION OF THE BONDS...	4	Sales Tax.....	27
Award of the Bonds.....	4	SELECTED FINANCIAL DATA.....	28
Prices and Marketability.....	4	Historical Operations of the City's General	
Securities Laws.....	4	Fund	28
Municipal Bond Ratings	5	Pension Fund	28
OFFICIAL STATEMENT SUMMARY	6	Other Postemployment Benefits	29
INTRODUCTION.....	9	Financial Statements.....	29
THE BONDS.....	9	SEVERE WEATHER EVENTS	29
Description.....	9	INFORMATION TECHNOLOGY AND	
Redemption Provisions	9	CYBERSECURITY	29
Mandatory Sinking Fund Redemption.....	10	EXPOSURE TO OIL AND GAS INDUSTRY	29
Notice of Redemption	10	ADMINISTRATION OF THE CITY	30
Book-Entry-Only System.....	10	Mayor and City Council.....	30
Successor Paying Agent/Registrar	12	Administration.....	30
Defeasance.....	12	Consultants	31
Source of Payment of the Bonds.....	13	LEGAL MATTERS.....	31
Authorization of the Bonds	13	Legal Opinions	31
Use of Proceeds	13	No-Litigation Certificate	32
Sources and Uses of Funds	13	No Material Adverse Change.....	32
Future Debt.....	13	TAX MATTERS.....	32
Remedies in the Event of Default	14	Qualified Tax-Exempt Obligations for	
INVESTMENT AUTHORITY AND		Financial Institutions	33
INVESTMENT OBJECTIVES OF THE		CONTINUING DISCLOSURE OF	
CITY	15	INFORMATION	34
Legal Investments.....	15	Annual Reports.....	34
Investment Policies.....	16	Material Event Notices.....	34
Additional Provisions	17	Availability of Information	35
Current Investments	17	Limitations and Amendments	35
CITY TAX DEBT	18	Compliance With Prior Undertakings.....	35
Tax Supported Debt Statement	18	FINANCIAL ADVISOR	35
Bonded Indebtedness Payable from Ad		AUDITED FINANCIAL STATEMENTS	36
Valorem Taxes	18	GENERAL CONSIDERATIONS.....	36
Pro-Forma Tax Supported Debt Service		Sources and Compilation of Information.....	36
Schedule.....	19	Forward Looking Statements	36
Estimated Overlapping Debt.....	20	Updating of Official Statement.....	36
Debt Ratios	20		
AD VALOREM TAX PROCEDURES	20		
Ad Valorem Property Taxation.....	20	APPENDIX A – General Information Regarding the City of	
Public Hearing and Maintenance and		Seabrook, Texas	
Operation Tax Rate Limitations.....	22	APPENDIX B – Audited Financial Statements of the City	
Debt Tax Rate Limitations	24	APPENDIX C – Form of Bond Counsel Opinion	
Levy and Collection of Taxes	24		
City's Rights in the Event of Tax		<i>The cover page hereof, the section entitled "Official</i>	
Delinquencies	24	<i>Statement Summary," this Table of Contents and the</i>	
TAX DATA	25	<i>Appendices attached hereto are part of the Official</i>	
Historical Analysis of Tax Collection.....	25	<i>Statement.</i>	

CITY OF SEABROOK, TEXAS
(A political subdivision of the State of Texas located within Harris County)

\$4,000,000*
GENERAL OBLIGATION BONDS, SERIES 2025

INTRODUCTORY STATEMENT

Information contained in this Official Statement, including Appendices A and B, has been obtained from the City of Seabrook, Texas (the "City") in connection with the offering by the City of its \$4,000,000* General Obligation Bonds, Series 2025 (the "Bonds") identified on the cover page hereof.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net interest costs, which bid was tendered by _____ (the "Initial Purchaser") to purchase the Bonds bearing the interest rates shown on the cover page hereof at a price of ____% of the principal amount thereof, which resulted in a net effective interest rate of ____%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the City of certificates executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity have been sold to the public. For this purpose, the term "public" shall not include any person who is a bondhouse, broker or similar person acting in the capacity of underwriter or wholesaler. The City has no control over trading of the Bonds after a bona fide offering of the Bonds is made by the Initial Purchaser at the yields specified on page ii. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any jurisdiction. The City assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such jurisdictions.

* Preliminary, subject to change.

Municipal Bond Ratings

In connection with the sale of the Bonds, the City has made application to S&P Global Ratings ("S&P") for a rating and a rating of "AA" has been assigned to the Bonds. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the views of S&P, and the City makes no representation as to the appropriateness of such rating.

An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the view of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

[Remainder of Page Intentionally Left Blank]

OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

The Issuer	The City of Seabrook, Texas (the "City") is a political subdivision and home rule city of the State of Texas located within Harris County, Texas.
The Bonds.....	\$4,000,000* General Obligation Bonds, Series 2025 (the "Bonds"), are dated December 1, 2025 and mature September 1, 2027 through September 1, 2050, inclusive, unless the Initial Purchaser designates one or more maturities as a term bond (the "Term Bonds"). See "THE BONDS – Description," "– Redemption Provisions" and "– Mandatory Sinking Fund Redemption."
Payment of Interest.....	Interest on the Bonds will accrue from the date of initial delivery and is payable September 1, 2026 and semiannually thereafter on each succeeding March 1 and September 1 until stated maturity or prior redemption. The Bonds are issued in fully registered form in integral multiples of \$5,000 of principal amount. See "THE BONDS - Description."
Optional Redemption.....	The Bonds maturing on and after September 1, 2036 are subject to redemption at the option of the City, in whole or from time to time in part, on September 1, 2035 or any date thereafter at the par value thereof plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Redemption Provisions."
Authority.....	The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapter 1331, Texas Government Code, as amended, an election held within the City on May 3, 2025, and an ordinance (the "Bond Ordinance") to be approved by the City Council (the "City Council") of the City on November 18, 2025. See "THE BONDS – Authorization of the Bonds."
Paying Agent/Registrar.....	The initial paying agent/registrar is The Bank of New York Mellon Trust Company, N.A. The City intends to use the book-entry-only system of The Depository Trust Company, New York, New York ("DTC"), but reserves the right on its behalf or on behalf of the DTC to discontinue such system. See "THE BONDS - Book-Entry-Only System."
Source of Payment.....	The Bonds, when issued, will constitute valid and binding obligations of the City and will be payable from the proceeds of a continuing, direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City. See "THE BONDS - Source of Payment of the Bonds."
Use of Proceeds	Proceeds from the sale of the Bonds will be used for (i) the construction, acquisition, improvements, renovations, expansion, development and equipping of the municipal pool complex; and (ii) to pay the costs of issuance of the Bonds. See "THE BONDS - Use of Proceeds" and "- Sources and Uses of Funds."
Ratings.....	S&P Global Ratings (Unenhanced) "AA" See "SALE AND DISTRIBUTION OF THE BONDS – Municipal Bond Ratings."

* Preliminary, subject to change.

Tax Exemption	In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.
Qualified Tax-Exempt Obligations	The City will designate the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. See "TAX MATTERS."

[Remainder of Page Intentionally Left Blank]

TABLE 1
- Selected Financial Information -
(Unaudited)

2025 Certified Net Taxable Assessed Valuation (100% of estimated market value)	\$ 1,925,170,070 (a)
Direct Debt:	
Outstanding Tax Supported Debt (as of October 1, 2025)	\$ 39,707,324
Plus: The Bonds	4,000,000 *
Less: Self Supporting General Obligation Debt	<u>(14,762,630) *(b)</u>
Total Tax Supported Debt	<u>\$ 28,944,694 *</u>
Estimated Overlapping Debt	<u>\$ 77,477,318</u>
Direct and Estimated Overlapping Debt	<u>\$ 106,422,012</u>
Debt Service Fund Balance (unaudited as of September 30, 2025)	<u>\$ 1,561,050 (c)</u>
	% of 2025 Certified Taxable Assessed Valuation
Debt Ratios: (b)(d)	Per Capita (15,173)
Direct Tax Supported Debt	1.50%
Direct Tax Supported and Estimated Overlapping Debt	5.53%
2025 Tax Rate (per \$100 of Assessed Valuation)	
Maintenance and Operation	\$ 0.338026
Debt Service	<u>0.126126</u>
Total	<u>\$ 0.464152</u>
Estimated Annual Debt Service Requirements:	
Average (Fiscal Years 2026-2050)	\$ 1,745,426 (d)*
Maximum (2027)	\$ 3,153,107 (d)*
Tax Collections:	
Arithmetic Average, Tax Years (2020-2024) - Current Year Collections	98.55%
- Total Collections	98.88%

* Preliminary, subject to change.

- (a) Certified by the Harris Central Appraisal District (the "Appraisal District") and net of exemptions. Such value is subject to changes as additions, corrections and deletions are made to the tax roll.
- (b) Represents tax-supported debt that is considered self-supporting debt and is currently paid from revenues of the City's Waterworks and Sewer System (the "System") and Seabrook EDC (as defined herein) pursuant to a policy determination by City Council, which is subject to change. Includes a portion of the City's General Obligation Refunding Bonds, Series 2013, Certificates of Obligation, Series 2016, Certificates of Obligation, Series 2016A, State Infrastructure Bank Loan, Series 2018 and Certificates of Obligation, Series 2020.
- (c) Unaudited. The unaudited information has not been prepared or reviewed by the City's independent auditor. The information is subject to change upon completion of the City's annual audit.
- (d) Includes the Bonds and excludes the self-supporting debt payable from revenues of the System and the Seabrook EDC.

INTRODUCTION

This Official Statement and Appendices A and B attached hereto provide certain information with respect to the issuance by the City of Seabrook, Texas (the "City") in connection with the offering by the City of its \$4,000,000* General Obligation Bonds, Series 2025 (the "Bonds").

The Bonds, when issued, will constitute valid and binding obligations of the City and will be payable from the proceeds of a continuing, direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City. See "THE BONDS - Source of Payment of the Bonds."

There follows in this Official Statement descriptions of the Bonds, the plan of financing, and certain information about 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 upon request. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance authorizing the sale and issuance of the Bonds (the "Bond Ordinance") to be adopted by the City Council on November 18, 2025, except as otherwise indicated herein.

THE BONDS

Description

The Bonds are dated December 1, 2025 and bear interest from the date of initial delivery (the "Delivery Date") at the stated interest rates indicated on page ii of this Official Statement, which interest is payable initially on September 1, 2026 and each March 1 and September 1 thereafter until the earlier of maturity or prior redemption.

The Bonds are issued in fully registered form in integral multiples of \$5,000 of principal amount. Principal of the Bonds is payable at the principal payment office of The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar on the Record Date or by such other customary banking arrangements acceptable to the Paying Agent/Registrar and the person to whom interest is to be paid; provided, however, that such person shall bear all risk and expense of such other customary banking arrangements. The record date (the "Record Date") for the interest payable on any interest payment date means the last business day of the month next preceding such interest payment date. The Bonds initially will be registered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described below.

In the event the Book-Entry-Only-System is discontinued, the Bonds may be transferred and exchanged on the bond register kept by the Paying Agent/Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount of Bonds of the same maturity in any authorized denomination upon surrender of the Bonds to be exchanged at the principal payment office of the Paying Agent/Registrar. No service charge will be made for any transfer, but the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Redemption Provisions

The Bonds maturing on and after September 1, 2036 are subject to redemption at the option of the City on September 1, 2035 or any date thereafter, in whole or from time to time in part, at a price of the par value thereof plus accrued interest from the most recent interest payment date to the date of redemption. If less than all of the Bonds are redeemed at any time, the maturities of Bonds to be redeemed shall be selected by the City. If less than all of a maturity of Bonds is to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot or other customary method that results in random selection, the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or 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.

* Preliminary, subject to change.

Mandatory Sinking Fund Redemption

In addition to the foregoing optional redemption provision, if principal amounts designated in the serial maturity schedule on page ii hereof are combined to create term Bonds (the "Term Bonds"), each such Term Bond shall be subject to mandatory sinking fund redemption commencing on September 1 of the first year which has been combined to form such Term Bond and continuing on September 1 in each year thereafter until the stated maturity date of such Term Bond. The Paying Agent/Registrar will select by lot or by any other customary method that results in a random selection the specific Term Bonds (or with respect to Term Bonds having a denomination in excess of \$5,000, each \$5,000 portion thereof) to be redeemed by mandatory redemption. The principal amount of Term Bonds required to be redeemed on any redemption date pursuant to the foregoing mandatory sinking fund redemption provisions hereof shall be reduced, at the option of the City, by the principal amount of any Term Bonds which, at least forty-five (45) days prior to the mandatory sinking fund redemption date (i) shall have been acquired by the City and delivered to the Paying Agent/Registrar for cancellation, or (ii) shall have been redeemed pursuant to the optional redemption provisions hereof and not previously credited to a mandatory sinking fund redemption.

Notice of Redemption

Not less than 30 days prior to a redemption date for the Bonds, 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 Bonds 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. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, AND SUBJECT TO ANY CONDITIONS OR RIGHTS RESERVED BY THE CITY, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, NOTWITHSTANDING THAT INTEREST ON ANY OBLIGATION OR PORTION THEREOF THAT HAS NOT BEEN SURRENDERED FOR PAYMENT, SHALL CEASE TO ACCRUE.

The City reserves the right to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the City retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption and such redemption has been rescinded shall remain outstanding and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the City to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds 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, the Financial Advisor and the Initial Purchaser believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The City, the Financial Advisor and the Initial Purchaser cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, 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 Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

To facilitate subsequent transfers, all Bonds 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 Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue 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. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, 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 or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Tender Agent's DTC account.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds 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 Bonds, 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 Bond Ordinance will be given only to DTC.

Successor Paying Agent/Registrar

Provision is made in the Bond Ordinance for replacing the Paying Agent/Registrar. If the City replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor paying agent/registrar (the "Successor Paying Agent/Registrar"), and the Successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any Successor Paying Agent/Registrar selected by the City shall be a commercial bank or trust company organized under the laws of the State of Texas (the "State"), or any other entity duly qualified and legally authorized to serve as and perform the duties and service of paying agent/registrar for the Bonds.

Defeasance

The Bond Ordinance provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on such Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar, or other authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Government Securities to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds. The Bond 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, or (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. The City has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid and will cease to be outstanding obligations secured by the Bond Ordinance or treated as debt of the City for purposes of taxation or applying any limitation on the City's ability to issue debt or for any other purpose. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Source of Payment of the Bonds

The Bonds, when issued, will constitute valid and binding obligations of the City and will be payable from the proceeds of a continuing, direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City.

Authorization of the Bonds

The Bonds are issued pursuant to applicable provisions of the Constitution and laws of the State, including particularly Chapter 1331, Texas Government Code, as amended, an election held within the City on May 3, 2025, and the provisions of the Bond Ordinance. The Bonds constitute the City's total bond authorization of \$4,000,000 approved at an election held on May 3, 2025.

The following table illustrates the bonds authorized, issued and remaining authorized but unissued by proposition.

TABLE 2
- Authorized But Unissued Bonds -

Date Authorized	Purpose	Amount Authorized	Issued To Date	Less: The Bonds*	Remaining Authorized But Unissued*
05/03/2025	Aquatic	\$4,000,000	-0-	\$4,000,000	-0-
	Grand Totals	<u>\$4,000,000</u>	<u>\$-0-</u>	<u>\$4,000,000</u>	<u>\$-0-</u>

* Preliminary, subject to change.

Use of Proceeds

Proceeds from the sale of the Bonds will be used for (i) the construction, acquisition, improvements, renovations, expansion, development and equipping of the municipal pool complex; and (ii) to pay the costs of issuance of the Bonds. See "THE BONDS - Sources and Uses of Funds."

Sources and Uses of Funds

The proceeds from the sale of the Bonds will be applied as follows:

SOURCES OF FUNDS:

Principal Amount of the Bonds	\$
[Net] Premium on the Bonds	
Total Sources of Funds	<u>\$</u>

USES OF FUNDS

Deposit to Construction Fund	\$
Deposit to the Capitalized Interest Fund	
Expenses:	
Initial Purchaser's Discount	
Other Issuance Expenses (a)	
Total Uses of Funds	<u>\$</u>

(a) Includes legal fees of the City, financial advisory fees, rating agency fees, fees of the Paying Agent/Registrar, and other costs of issuance including contingency.

Future Debt

After the sale of the Bonds, the City will not have any authorized but unissued bonds. The City may also issue additional certificates of obligation for City projects. Depending on the rate of development within the City, changes in assessed valuation, and the amounts, interest rates, maturities and time of issuance of additional certificates of obligation or bonds, increases in the City's annual ad valorem tax rate may be required to provide for the payment of the principal of and interest on the City's outstanding bonds, the Bonds, and such future certificates of obligation or bonds.

Remedies in the Event of Default

The Bond Ordinance does not specify events of default with respect to the Bonds. If the City defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond 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 Bonds if there is no other available remedy at law to compel performance of the Bonds or Bond Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Bond Ordinance does not provide for the appointment of a trustee to represent the interest of the owners upon any failure of the City to perform in accordance with the terms of the Bond 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 *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006) ("*Tooke*"), that a waiver of governmental immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's governmental immunity from a suit for money damages, Bond holders may not be able to bring such a suit against the City for breach of the Bonds or covenants in the Bond 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 Bonds.

In *Tooke*, the Court noted the enactment in 2005 of sections 271.151-160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act covers municipalities and relates to contracts entered into by municipalities for procuring goods or services. The City is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings by local governments that relate to their borrowing powers are contracts covered by the Local Government Immunity Waiver Act.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) that governmental 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. In its decision, the Court held that since the Local Government Immunity Waiver Act waives governmental immunity in certain breach of contract claims without addressing whether the waiver applies to a governmental function or a proprietary function of a city, the Court could not reasonably read the Local Government Immunity Waiver Act to evidence legislative intent to waive immunity when a city performs a proprietary function.

As noted above, the Bond holders may exercise the remedy of mandamus to enforce the obligations of the City under the Bond Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

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 certificate 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 Bond holders 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 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 Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

INVESTMENT AUTHORITY AND INVESTMENT OBJECTIVES OF THE CITY

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

Legal Investments

Under State law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the City selects from a list the governing body or a designated investment committee of the City adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the City selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the City's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the City appoints as the City's custodian of the banking deposits issued for the City's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of Chapter 2256, Texas Government Code (the "Public Funds Investment Act"), that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for City deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d), Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements as defined in the Public Funds Investment Act, that have a defined termination date, are secured by a combination of cash and obligations described in clauses (1) or (13) in this paragraph, require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is

made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with stated maturity of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated not less than "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and have either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract.

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above other than the prohibited obligations described below, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service if the governing body of the City authorizes such investment in the particular pool by order, ordinance, or resolution and the investment pool complies with the requirements of Section 2256.016, Texas Government Code. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Investment Policies

Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under State law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At

least quarterly, the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City; (2) that all investment officers jointly prepared and signed the report; (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group; (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period; (5) the maturity date of each separately invested asset; (6) the account or fund or pooled fund group for which each individual investment was acquired; and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council of the City.

The City's policies require investments in accordance with applicable State law. The City's Investment Policy excludes certain investments allowable under State law described above under "Legal Investments." Investments specifically prohibited by the City's Investment Policy include (1) obligations for which the payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (interest only bonds); (2) obligations for which the payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest (principal only bond); (3) collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index (inverse floaters); (5) certain securities lending programs of the nature permitted by Section 2256.0115 of the Public Funds Investment Act; and (6) commercial paper, including investment pools which invest in commercial paper.

Additional Provisions

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

Current Investments

The City's investment balance as of September 30, 2025 was as follows:

TABLE 3
- Current Investments -

	Book Value	Market Value
Government Securities	\$49,684,416	\$49,684,416
Investment Pool	4,739,218	4,739,218
Total Portfolio	<u>\$54,423,635</u>	<u>\$54,423,635</u>

CITY TAX DEBT

Tax Supported Debt Statement

The following tables and calculations relate to the Bonds and to all other tax supported debt of the City. The City and various other political subdivisions of government which overlap all or a portion of the City are empowered to incur debt to be paid from revenues raised or to be raised by taxation against all or a portion of property within the City.

Bonded Indebtedness Payable from Ad Valorem Taxes

2025 Certified Net Taxable Assessed Valuation (100% of estimated market value)	\$ 1,925,170,070 (a)
Direct Debt:	
Outstanding Tax Supported Debt (as of September 30, 2025).....	\$ 39,707,324
Plus: The Bonds	4,000,000 *
Less: Self-Supporting General Obligation Debt.....	<u>(14,762,630) *(b)</u>
Total Tax Supported Debt.....	<u>\$ 28,944,694 *</u>
Debt Service Fund Balance (unaudited as of September 30, 2025).....	<u>\$ 1,561,050 (c)</u>

* Preliminary, subject to change.

- (a) Certified by the Harris Central Appraisal District (the "Appraisal District") and net of exemptions. Such value is further subject to change as additions, corrections and deletions are made to the tax roll.
- (b) Represents tax-supported debt that is considered self-supporting debt and is currently paid from revenues of the City's Waterworks and Sewer System (the "System") and Seabrook EDC (as defined herein) pursuant to a policy determination by City Council, which is subject to change. Includes a portion of the City's General Obligation Refunding Bonds, Series 2013, Certificates of Obligation, Series 2016, Certificates of Obligation, Series 2016A, State Infrastructure Bank Loan, Series 2018 and Certificates of Obligation, Series 2020.
- (c) Unaudited. The unaudited information has not been prepared or reviewed by the City's independent auditor. The information is subject to change upon completion of the City's annual audit.

[Remainder of Page Intentionally Left Blank]

Pro-Forma Tax Supported Debt Service Schedule

The following sets forth the principal and interest on the City's Outstanding Tax Supported Debt, plus the principal and estimated interest on the Bonds.

TABLE 4
- Pro-Forma Tax Supported Debt Service Schedule -

Year Ending 30-Sep	Current Debt Service	Plus: The Bonds			Less: Self-Supporting Debt Service (b)	Total Debt Service Requirements (c)*
		Principal*	Interest (a)*	Total*		
2026	\$ 4,032,731		\$ 134,583	\$ 134,583	\$ 1,136,807	\$ 3,030,508
2027	4,032,259	\$ 65,000	190,000	255,000	1,134,152	3,153,107
2028	3,514,980	95,000	186,913	281,913	1,517,487	2,279,406
2029	3,515,349	95,000	182,400	277,400	1,515,686	2,277,063
2030	3,511,296	105,000	177,888	282,888	1,514,338	2,279,846
2031	3,509,621	110,000	172,900	282,900	1,513,977	2,278,543
2032	3,314,942	115,000	167,675	282,675	1,318,835	2,278,782
2033	3,313,283	120,000	162,213	282,213	1,316,630	2,278,865
2034	3,313,719	125,000	156,513	281,513	1,316,847	2,278,385
2035	2,500,227	140,000	150,575	290,575	1,228,996	1,561,806
2036	2,496,707	150,000	143,925	293,925	1,230,183	1,560,449
2037	2,500,583	155,000	136,800	291,800	1,231,588	1,560,795
2038	2,491,354	165,000	129,438	294,438	1,223,150	1,562,641
2039	2,208,700	175,000	121,600	296,600	940,959	1,564,341
2040	2,169,150	200,000	113,288	313,288	920,209	1,562,229
2041	1,423,000	175,000	103,788	278,788	384,800	1,316,988
2042	1,038,200	185,000	95,475	280,475		1,318,675
2043	1,036,450	195,000	86,688	281,688		1,318,138
2044	1,037,950	200,000	77,425	277,425		1,315,375
2045	1,037,450	210,000	67,925	277,925		1,315,375
2046	1,037,850	220,000	57,950	277,950		1,315,800
2047	1,036,825	230,000	47,500	277,500		1,314,325
2048	1,034,375	245,000	36,575	281,575		1,315,950
2049	1,035,500	255,000	24,938	279,938		1,315,438
2050		270,000	12,825	282,825		282,825
Totals	<u>\$56,142,502</u>	<u>\$4,000,000</u>	<u>\$2,937,796</u>	<u>\$6,937,796</u>	<u>\$19,444,644</u>	<u>\$43,635,654</u>

Estimated Average Annual Requirements (2026-2050).....

\$1,745,426(d)*

Estimated Maximum Annual Requirement (2027).....

\$3,153,107(d)*

* Preliminary, subject to change.

(a) Interest estimated at current market rates, for illustrative purposes only.

(b) Represents tax-supported debt that is considered self-supporting debt and is currently paid from revenues of the City's Waterworks and Sewer System (the "System") and Seabrook EDC (as defined herein) pursuant to a policy determination by City Council, which is subject to change. Includes a portion of the City's General Obligation Refunding Bonds, Series 2013, Certificates of Obligation, Series 2016, Certificates of Obligation, Series 2016A, State Infrastructure Bank Loan, Series 2018 and Certificates of Obligation, Series 2020.

(c) Totals may not tie due to rounding.

(d) Includes the Bonds and excludes the self-supporting debt payable from revenues of the System and the Seabrook EDC.

Estimated Overlapping Debt

The following table indicates the indebtedness, defined as outstanding obligations payable from ad valorem taxes, of governmental entities overlapping the City and the estimated percentages and amounts of such indebtedness attributable to property within the City. This information is based upon data secured from the individual jurisdictions and/or the Texas Municipal Reports. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance or for other purposes. The City has not independently verified the accuracy or completeness of the information shown below except for amounts related to the City.

TABLE 5
- Estimated Overlapping Debt -

Taxing Jurisdiction	Debt as of October 1, 2025	Overlapping	
		Percent	Amount
Clear Creek Independent School District	\$1,151,620,000	5.51%	\$ 63,454,262
Harris County	2,257,734,736	0.30	6,773,204
Harris County Department of Education	28,960,000	0.30	86,880
Harris County Flood Control District	937,165,000	0.30	2,811,495
Harris County Hospital District	867,820,000	0.30	2,603,460
Harris County MUD #373	370,000	100.00	370,000
Harris County WCID #50	19,095,000	0.83	158,489
Port of Houston Authority	406,509,397	0.30	1,219,528
TOTAL ESTIMATED OVERLAPPING			\$ 77,477,318
The City			28,944,694(a)
Total Direct and Estimated Overlapping Debt			<u>\$106,422,012(a)</u>

(a) Includes the Bonds and excludes the self-supporting debt payable from revenues of the System and the Seabrook EDC. Preliminary, subject to change.

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

Debt Ratios

	Direct Debt (a)	Direct and Overlapping Debt (a)
Per 2025 Certified Net Taxable Assessed Valuation (\$1,925,170,070)	1.50%	5.53%
Per Capita (15,173)	\$1,908	\$7,014

(a) Includes the Bonds and excludes the self-supporting debt payable from revenues of the System and the Seabrook EDC. Preliminary, subject to change.

AD VALOREM TAX PROCEDURES

Ad Valorem Property Taxation

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. Reference is made to 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 ("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 Appraisal District. Except as 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 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 (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

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 ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates. See "AD VALOREM TAX PROCEDURES – City's Rights in the Event of Tax Delinquencies."

Issuer and Taxpayer Remedies. Under certain circumstances, the City and its taxpayers 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 of at least \$50 million and situated in a county with a population of one million or more as of the most recent federal decennial census may additionally protest the determinations of the appraisal district directly to a three-member special panel of the appraisal review board, selected by a State district judge, consisting of highly qualified professionals in the field of property tax appraisal.

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 "– Public Hearing and Maintenance and Operation Tax Rate Limitations".) The Property Tax Code also establishes a procedure for 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.

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 or fatally wounded in the line of duty 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 market value of all homesteads (but not less than \$5,000) and (2) an additional exemption of the market value of the homesteads of persons 65 years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. Cities, counties and school districts are prohibited from repealing or reducing an optional homestead exemption that was granted in tax year 2022 through December 31, 2027.

The City granted an additional homestead exemption for the 2025 tax year in the amount of 20% of market value of the homestead with a minimum of \$5,000. The City also grants a \$25,000 exemption to persons over age 65.

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 Exemptions/Goods-in-Transit. Certain goods 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 to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, principally inventory, that are stored for the purposes of assembling, storing, manufacturing, processing or fabricating the goods in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days ("Goods-in-Transit"), are exempt from ad valorem taxation unless a taxing unit takes official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax Goods-in-Transit beginning the following tax year. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include special inventories such as motor vehicles or boats in a dealer's retail inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property. The City has taken official action and determined not to grant a Goods-in-Transit exemption.

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.

Tax Increment Financing Zones. A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones ("TIRZ") within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the "Incremental Value" in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, generally located within the TIRZ. 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 "Incremental Value", and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying 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 ten (10) years.

Public Hearing and Maintenance and Operation 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.

"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 cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city's tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

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

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

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

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 Bonds.

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

Debt Tax Rate Limitations

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

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 as of January 1 of the year for which the tax is imposed. 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 the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. 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, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. 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.

[Remainder of Page Intentionally Left Blank]

TAX DATA

Historical Analysis of Tax Collection

TABLE 6
- Collection Ratios -

Tax Year	Net Assessed Valuation (a)	Tax Rate Per \$100 of Assessed Valuation	Adjusted Tax Levy	% of Collections		Fiscal Year Ending 9/30
				Current Year	Current and Prior Years	
2014	\$ 919,496,155	\$0.640030	\$5,984,940	98.72%	99.80%	2015
2015	1,029,306,515	0.612611	6,329,284	98.73	99.78	2016
2016	1,164,299,182	0.565177	6,411,690	98.95	99.74	2017
2017	1,186,692,077	0.574911	6,960,493	98.96	99.69	2018
2018	1,245,026,528	0.551983	6,997,431	98.64	99.71	2019
2019	1,310,944,169	0.551983	7,612,966	98.86	99.69	2020
2020	1,377,542,814	0.543613	7,977,305	98.65	99.71	2021
2021	1,491,038,474	0.524444	8,042,633	99.04	99.61	2022
2022	1,657,765,349	0.476526	8,075,029	98.68	98.68	2023
2023	1,872,551,911	0.457755	8,618,798	98.56	98.56	2024
2024	1,883,003,641	0.455156	8,850,688	97.82(b)	97.82(b)	2025
2025	1,925,170,070	0.464152	8,935,715	(In Process of Collection)		2026

(a) Certified by the Appraisal District and is net of exemptions. Such value is further subject to change as additions, corrections, and deletions are made to the tax roll.

(b) Represents unaudited collections as of September 30, 2025.

TABLE 7
- Tax Rate Distribution -

	2025	2024	2023	2022	2021
Maintenance	\$0.338026	\$0.351251	\$0.352187	\$0.356572	\$0.390106
Debt Service	0.126126	0.103905	0.105568	0.119954	0.134338
Total	<u>\$0.464152</u>	<u>\$0.455156</u>	<u>\$0.457755</u>	<u>\$0.476526</u>	<u>\$0.524444</u>

Analysis of Tax Base

TABLE 8
- Tax Base Distribution -

Type of Property	2025 Tax Roll (a)		2024 Tax Roll (a)	
	Amount	%	Amount	%
Residential	\$1,791,553,675	76.24%	\$1,766,973,485	76.98%
Commercial	270,033,671	11.49	253,948,192	11.06
Industrial	1,711,618	0.07	1,357,388	0.06
Utilities	27,468,560	1.17	24,784,728	1.08
Vacant	32,596,803	1.39	38,253,002	1.67
Lots/Tracts/Acreage	29,080,944	1.24	22,635,683	0.99
Other Personal	197,293,108	8.40	187,559,079	8.17
Gross Assessed Value	\$2,349,738,379	100.00%	\$2,295,511,557	100.00%
Less: Exemption	<u>(424,568,309)</u>		<u>(412,507,916)</u>	
Net Assessed Value	<u>\$1,925,170,070</u>		<u>\$1,883,003,641</u>	

Source: The Appraisal District.

(a) Certified by the Appraisal District. Such value is further subject to change as additions, corrections and deletions are made to the tax roll. Values may differ from those shown in the City's financial statement and elsewhere in this Official Statement due to subsequent adjustments.

TABLE 9
- Exemptions -

Type	2025	2024
Homestead	\$368,122,516	\$362,447,312
Surviving Spouse	950,000	875,000
Over 65	23,952,250	23,664,750
Disability	1,675,000	1,687,500
Disabled Veteran	25,195,991	19,263,836
Vehicles	4,672,552	4,569,518
Total Exemptions	<u>\$424,568,309</u>	<u>\$412,507,916</u>

TABLE 10
- Principal Taxpayers -

Principal Taxpayer	Type of Property	2024 Taxable Assessed Valuation	2024 Taxable Assessed Valuation
Western Rim Investors 2014 1 LP	Apartments, Retail, Commercial	\$ 68,506,164	\$ 68,839,616
Aireit Bayport 146 DC LP	Commercial	51,749,775	46,919,600
Seabrook Properties LLC	Commercial	47,175,727	47,559,961
Vista Shores 2011 LP	Apartments	28,475,257	28,544,464
Sinbad Landing Corp.	Apartments	27,097,820	27,071,983
Duke Realty Limited Partnership	Warehouse	25,759,656	24,250,824
MarineMax Inc.	Commercial	21,794,572	20,971,199
Chesapeake Titleholder LLC	Apartments	21,518,762	19,918,708
WREF Bar Harbor LP	Apartments	20,938,961	26,893,031
Centerpoint Energy Inc.	Utility	18,146,140	(a)
3000 NASA Parkway LLC	Real Estate, Hotel	(a)	18,684,301
Total Top Ten Principal Taxpayers		<u>\$331,162,834</u>	<u>\$329,653,687</u>
Percentage Top Ten Principal Taxpayers Comprise of Tax Roll		<u>17.20%</u>	<u>17.51%</u>

(a) Not a principal taxpayer in such tax year.
Source: The Appraisal District.

TABLE 11
- Tax Adequacy -

Estimated Average Annual Debt Service Requirements (2026-2050).....	\$1,745,426 (a)
Tax Rate of \$0.096 per \$100 assessed valuation against the 2025 Certified Assessed Valuation at 95% collection produces.....	\$1,755,755
Estimated Maximum Annual Tax Debt Service Requirements (in the year 2027).....	\$3,153,107 (a)
Tax Rate of \$0.173 per \$100 assessed valuation against the 2025 Certified Assessed Valuation at 95% collection produces.....	\$3,164,017

(a) Includes the Bonds and excludes the self-supporting debt payable from revenues of the System and the Seabrook EDC (defined herein). Preliminary, subject to change.

Sales Tax

The City levies a one percent (1%) sales tax pursuant to the provisions of Chapter 321, Texas Tax Code, for general fund purposes. Sales tax revenues are not pledged to the payment of the Bonds. The sales tax information contained in the following table does not include revenues from the sales taxes levied and collected for the benefit of the Seabrook Economic Development Corporation ("Seabrook EDC") or the Seabrook Crime Control and Prevention District (the "District").

TABLE 12
- Sales Tax -

<u>Fiscal Year</u>	<u>Sales Tax Collected</u>	<u>Fiscal Year</u>	<u>Sales Tax Collected</u>
2016	\$1,830,686	2021	\$2,176,043
2017	1,954,712	2022	2,308,517
2018	1,891,325	2023	2,544,164
2019	1,804,154	2024	2,311,313
2020	1,942,488	2025(a)	2,492,321

(a) Unaudited as of September 30, 2025. The unaudited information has not been prepared or reviewed by the City's independent auditor. The information is subject to change upon completion of the City's annual audit.

The Seabrook EDC is a Type B economic development corporation created by the City in 1992 under the Texas Development Corporation Act of 1979 for the purpose of promoting, assisting and enhancing economic and related development activities on behalf of the City. The City levies one-half of one percent (0.50%) sales tax for the benefit of the Seabrook EDC.

The District was created under the authority granted by Chapter 363 of the Texas Local Government Code and Section 323.105 of the Texas Tax Code for the purpose of strengthening and enhancing crime control activities of the City. An election was held in 2005 to create the District and allow for the collection of a one-half of one percent (0.50%) sales tax to fund its operations. The District is governed by a Board of Directors comprised of the City Council members.

[Remainder of Page Intentionally Left Blank]

SELECTED FINANCIAL DATA

Historical Operations of the City's General Fund

The following is a condensed statement of revenues and expenses of the City's General Fund for the past five fiscal years. The inclusion of the following table is not intended to imply that any revenues of the City, other than the revenues described in the Bond Ordinance, are pledged to pay principal and interest on the Bonds and the City's Outstanding Tax Supported Debt.

TABLE 13
- Selected Financial Data -

	Fiscal Year Ended September 30,				
	2025 (a)	2024	2023	2022	2021
Revenues:					
Property Taxes	\$ 6,587,765	\$ 6,562,224	\$ 6,044,300	\$ 6,016,045	\$ 5,804,837
Sales and Use Tax	2,492,321	2,311,313	2,544,164	2,418,302	2,368,645
Franchise Fees & Local Taxes	717,955	665,146	712,162	689,965	728,772
License and Permits	293,764	290,903	276,441	770,103	318,576
Fines and Forfeitures	465,516	505,198	300,923	357,586	350,581
Charges for Service	486,965	820,184	723,499	718,725	764,205
Intergovernmental	815,380	167,352	446,310	404,092	460,097
Investment Revenue	403,854	557,821	431,267	74,913	4,109
Other Revenue	599,133	342,552	290,753	216,054	445,217
Total Revenues	\$12,862,653	\$12,222,693	\$11,769,819	\$11,665,785	\$11,245,039
Expenditures:					
General Government	\$ 4,684,443	\$ 3,772,566	\$ 3,982,219	\$ 3,601,766	\$ 3,462,894
Public Safety	6,976,200	8,537,714	7,793,351	7,149,923	7,119,700
Public Works	2,219,976	2,375,291	2,202,432	1,942,018	1,845,777
Total Expenditures	\$13,880,619	\$14,685,571	\$13,978,002	\$12,693,707	\$12,428,371
Excess (Deficiency) Revenues Over Expenditures	\$ (1,017,966)	\$ (2,462,878)	\$ (2,208,183)	\$ (1,027,922)	\$ (1,183,332)
Operating Transfers In	\$ 2,848,006	\$ 2,394,742	\$ 5,543,541	\$ 2,243,294	\$ 2,135,695
Operating Transfers (Out)	(443,296)	(331,578)	(292,000)	(2,866,027)	(2,440,704)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 2,404,710	\$ (399,714)	\$ 3,043,358	\$ (1,650,655)	\$ (1,488,341)
Beginning Fund Balance (Restated)	\$ 9,184,336	\$ 8,970,876	\$ 5,927,518	\$ 7,578,173	\$ 9,066,514
Ending General Fund Balance	\$10,571,080	\$ 8,571,162	\$ 8,970,876	\$ 5,927,518	\$ 7,578,173

Source: For the fiscal years ending September 30, 2021 through 2024, Comprehensive Annual Financial Reports of the City of Seabrook.

(a) Unaudited as of September 30, 2025. The information is subject to change upon completion of the City's annual audit.

Pension Fund

The City participates in the Texas Municipal Retirement System (TMRS), an agent multi-employer defined contribution plan, covers all eligible employees except firefighters. The City's contributions to the pension plans are actuarially determined and result in contribution rates that over time remain level as a percent of payroll.

For fiscal year 2024, the City contributed 16.37% of covered payroll, which amounted to a contribution of \$1,419,877 for eligible employees to TMRS, with those employees contributing 7.00%. The City's unfunded pension obligation for this plan totaled \$4,905,522 at December 31, 2023, which will be amortized over a period of thirty years or less by contributions from the City which are a level percentage of payroll. For additional information, see "APPENDIX B – Audited Financial Statements of the City", Note 4.

Other Postemployment Benefits

The City participates in a cost-sharing multiple-employer defined benefits group term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund ("SDBF"). The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for a retired employee is a fixed amount of \$7,500. The City offers the supplemental death benefit to both active and retired employees. The City contributes to the SDBF at a contractually required rate determined by annual actuarial valuation. The City's calculated liability as of December 31, 2023 was \$332,604. For additional information, see "APPENDIX B – Audited Financial Statements of the City", Note 4.

Financial Statements

A copy of the City's Financial Statements for the fiscal year ended September 30, 2024, is attached hereto as APPENDIX B. Copies of such statements for preceding years are available, for a fee, upon request.

SEVERE WEATHER EVENTS

The City is located near the Texas Gulf Coast. Land located in this area is susceptible to, and land in the City has experienced on several occasions in the past five years, high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a future weather-related event were to significantly damage all or part of the properties comprising the tax base within the City, the assessed value of property within the City could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the City's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the City will be covered by insurance (or that property owners will choose to carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the City. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the City could be adversely affected.

INFORMATION TECHNOLOGY AND CYBERSECURITY

The City depends upon information and computing technology to conduct general business operations. These systems may be subject to disruptions or security breaches that could materially disrupt the City's operations, cause reputational damage and/or give rise to losses or legal liability. The City continually monitors these threats, however, no assurance can be given that the City will fully prevent potential business continuity or cybersecurity risks arising from events wholly or partially beyond the City's control, including electrical telecommunications outages, natural disasters, or cyberattacks, or larger scale political events, including terrorist attacks. Any such occurrence could materially and adversely affect the City's operations and reputation, which could lead to decreased financial performance that insurance may not cover and may require the City to expend significant resources to correct the failure or disruption.

EXPOSURE TO OIL AND GAS INDUSTRY

In the past, the greater Houston area has been particularly affected by adverse conditions in the oil and gas industry, and adverse conditions in the oil and gas industry and spillover effects into other industries could adversely impact the businesses of ad valorem property taxpayers and the property values in the City resulting in a reduction in property tax revenue. The Bonds are secured by an ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds.

[Remainder of Page Intentionally Left Blank]

ADMINISTRATION OF THE CITY

Mayor and City Council

Policy-making functions are the responsibility of and are vested in the Mayor and City Council of the City, under provisions of the "Charter of the City of Seabrook" (the "Charter") approved by the electorate August 11, 1979, and amended in 1985, 1990, 1995, 2000 and 2005. The Council is composed of seven members, including the Mayor, whom are elected at-large. All members serve three-year terms. The Mayor is entitled to vote on all matters before the Council, but has no power to veto Council action. Members of the Council are described below:

<u>Council Members</u>	<u>Position</u>	<u>Term Expires (May)</u>	<u>Occupation</u>
Jim Sweeney	Mayor	2029	President, Minuteman Press
Tyler Kubena	Council Member Position 1	2026	Educator
Jared Sessum	Council Member Position 2	2029	Chief of Operations, Deer Park GMC
Tom Tollett	Council Member Position 3	2026	Owner, Tommy's Restaurant Oyster Bar
Angela Cervantes	Council Member Position 4	2029	National Account Manager
Buddy Hammann	Council Member Mayor Pro Tem Position 5	2026	HR Consultant
Summer Sanford	Council Member Position 6	2029	Business Owner

Administration

Under provisions of the Charter, the Council enacts local legislation, adopts budgets, determines policies and appoints the City Manager, who is charged with the duties of executing the laws and administering the government of the City. As the chief executive officer and head of the administrative branch of the City government, the City Manager is given the power and duties to:

- (1) Appoint and remove all department heads and all other employees in the administrative service of the City and may authorize the head of a department to appoint and remove subordinates in his respective department;
- (2) Prepare the budget annually, submit it to Council, and be responsible for its administration;
- (3) Prepare and submit to Council a complete report on the finances and administrative activities of the City;
- (4) Keep Council advised of the financial condition and future needs of the City and make appropriate recommendations; and
- (5) Perform such other necessary duties as prescribed by the Charter or required by the Council.

Members of the Administrative Staff are described below:

Staff Member	Position	Years in Position	Years of Service
Gayle Cook	City Manager	11 Years	22 Years
Sean Landis	Deputy City Manager	11 Years	16 Years
Rolf Nelson	Chief of Police	2 Years	2 Years
Kevin Rodgers	Emergency Services Director - Fire Marshall	2 Years	6 Years
Brian Craig	Director of Public Works	11 Months	8 Years
Rachel Lewis	City Secretary	2 Years	2 Years
Michael Gibbs	Finance Director	12 Years	17 Years

Consultants

The City has retained several consultants to perform professional services in connection with the independent auditing of its books and records, the sale of the Bonds and other City activities. Several of these consultants are identified below:

Bond Counsel	Orrick, Herrington & Sutcliffe LLP Houston, Texas
Auditor	Crowe LLP Houston, Texas
Financial Advisor	BOK Financial Securities, Inc. Houston, Texas

LEGAL MATTERS

Legal Opinions

The delivery of the Bonds is subject to the approving opinions of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the City and the approving legal opinions of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City ("Bond Counsel"), to the effect that the Bonds issued in compliance with the provisions of the respective Bond Ordinance are valid and legally binding obligations of the City and the interest on the Bonds are excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" herein, and in substantially the forms attached as APPENDIX C.

Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information in this Official Statement appearing under the captions and subcaptions "THE BONDS" (excluding the information under the subcaptions "Book-Entry-Only System," "Sources and Uses of Funds," "Future Debt" and "Remedies in the Event of Default"), and "CONTINUING DISCLOSURE OF INFORMATION" and Bond Counsel is of the opinion that the information contained therein conforms to the provisions of the Bond Ordinance; further, such firm has reviewed the information in this Official Statement appearing under the captions and subcaptions "TAX MATTERS," "SALE AND DISTRIBUTION OF THE BONDS – Securities Laws," "LEGAL MATTERS – Legal Opinions" (excluding the last sentence of the second paragraph thereof), "AD VALOREM TAX PROCEDURES – Public Hearing and Maintenance and Operation Tax Rate Limitations" and - "Debt Tax Rate Limitations," and such firm is of the opinion that the information contained under such captions and subcaptions is an accurate description of the laws and legal issues addressed therein. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds.

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

No-Litigation Certificate

The City will furnish a certificate, dated as of the date of delivery of the Bonds, executed by appropriate City officials, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

No Material Adverse Change

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the City to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the City subsequent to the date of sale from that set forth or contemplated in the Preliminary Official Statement, as it may have been supplemented or amended through the date of sale.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX C hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters

coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the City or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, Beneficial Owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the City or the Beneficial Owners to incur significant expense.

Payments on the Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayers taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided

by section 265(b) of the Code, section 291 of the Code provides that the allowable deduction to a “bank,” as defined in section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase “qualified tax-exempt obligations” shall be reduced by twenty-percent (20%) as a “financial institution preference item.”

The Issuer expects that the Bonds will be designated, or deemed designated, as “qualified tax-exempt obligations” within the meaning of section 265(b) of the Code. In furtherance of that designation, the Issuer will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as “qualified tax-exempt obligations.” **Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$10,000,000 limitation and the Bonds would not be “qualified tax-exempt obligations.”**

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rule Making Board (“MSRB”). Information will be available free of charge via the Electronic Municipal Market Access (“EMMA”) system at www.emma.msrb.org.

Annual Reports

The City will provide certain updated financial information and operating data to the MSRB annually 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 in Tables 1-4 and 6-13, and in Appendix “B”. The City will update and provide this information within six months after the end of each fiscal year.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by United States Securities and Exchange Commission Rule 15c2-12 (“Rule 15c2-12”). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not commissioned or are not available by the required time, the City will provide unaudited financial statements by the time required and audited financial statements when and if they become 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 City's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

Material Event Notices

The City will also provide timely notices of certain events to the MSRB. The City will provide notice in a timely manner not in excess of ten business days after the occurrence of the event of any of the following events with respect to the Bonds: (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 Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, 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 Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, 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. Neither the Bonds nor the Bond Ordinance make any provision for debt service reserves, liquidity enhancement or credit enhancement, merger, consolidation, or acquisition. In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City; and the City intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of Financial Obligation in this Section to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018 (the "2018 Release") and any further written guidance provided by the SEC or its staff with respect to the amendment to Rule 15c2-12 effected by the 2018 Release.

Availability of Information

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

Limitations and Amendments

The City has agreed to update information and to provide notices of material 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 bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from a breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds 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 Bonds 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 Bonds 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 Bonds. 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 SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of the SEC Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an Initial Purchaser from lawfully purchasing or selling Bonds in the primary offering of the Bonds. 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

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

FINANCIAL ADVISOR

BOK Financial Securities, Inc. is employed as Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

AUDITED FINANCIAL STATEMENTS

Crowe LLP, the City's independent auditor, has not reviewed, commented on, or approved, and is not associated with, this Official Statement. The report of Crowe LLP relating to the City's financial statements for the fiscal year ended September 30, 2024 is included in this Official Statement in APPENDIX B; however, Crowe LLP, has not performed any procedures on such financial statements since the date of such report, and has not performed any procedures on any other financial information of the City, including without limitation any of the information contained in this Official Statement, and has not been asked to consent to the inclusion of its report, or otherwise be associated with this Official Statement.

GENERAL CONSIDERATIONS

Sources and Compilation of Information

The information contained in this Official Statement has been obtained primarily from the City and from other sources believed to be reliable. No representation is made as to the accuracy or completeness of the information derived from sources other than the City. The summaries of the statutes, orders, ordinances and other related documents are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

The information contained in this Official Statement in the section entitled "APPENDIX B - Audited Financial Statements of the City" has been provided by Crowe LLP, Houston, Texas and has been included herein in reliance upon their authority as an expert in the fields of auditing and accounting.

Neither this Official Statement nor any statement that may have been made orally or in writing is to be constructed as or as part of a contract with the original purchasers or subsequent owners of the Bonds.

Forward Looking Statements

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. It is important to note that the City's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements 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 would prove to be accurate.

Updating of Official Statement

The City will keep the Official Statement current by amendment or sticker to reflect material changes in the affairs of the City and, to the extent that information comes to its attention, in the other matters described in the Official Statement, until the delivery of the Bonds to the Initial Purchaser.

This Official Statement was duly authorized and approved by the City Council of the City of Seabrook, Texas, as of the date specified on the first page hereof.

/s/ _____
Mayor
City of Seabrook, Texas

ATTEST:

/s/ _____
City Secretary
City of Seabrook, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY OF SEABROOK, TEXAS

The following information has been derived from various sources, including the U.S. Census data, Texas Workforce Commission, and City of Seabrook, Texas officials. While such sources are believed to be reliable, no representation is made as to the accuracy thereof.

ECONOMIC BACKGROUND

General

The City of Seabrook is located approximately 30 miles southeast of downtown Houston, Texas on Galveston Bay. The 2020 population was 13,618, a 13.94% increase since 2010. The City has experienced rapid growth because of its proximity to the Houston Ship Channel. Several industries have been attracted to the City by National Aeronautics and Space Administration (NASA).

- History and Location -

Harris County is the sixth largest manufacturing county in the United States with a population of over four million people and is 1,788 square miles in area.

- The Port of Houston Authority -

The Port of Houston, one of the world's largest ports, is a 25-mile long (40-kilometer) complex of diversified public and private facilities just a few hours' sailing time from the Gulf of Mexico. The Port of Houston's location makes it an ideal gateway between interior U.S. markets and foreign countries throughout the world. The Port of Houston ranks first in the United States in foreign waterborne commerce and second in total tonnage.

The Port of Houston Authority ("Authority") owns and operates the public facilities along the Houston Ship Channel and is the channel's official sponsor. The Authority is an autonomous political subdivision of the State of Texas and is governed by a board of seven commissioners.

As one of the world's busiest ports, the Port of Houston is a large and vibrant component of the regional economy. A 2022 study by Martin Associates says ship channel-related businesses contribute 1.5 million jobs throughout Texas and 3.37 million jobs nationwide. This activity helped generate more than \$439 billion in statewide economic value and \$906 billion in nationwide economic value. Additionally, more than \$10.6 billion in state and local tax revenues are generated by business activities related to the Port of Houston.

ECONOMIC AND GROWTH INDICATORS

U.S. Census of Population (a)

	City of Seabrook		Harris County	
	Number	% Change	Number	% Change
1970	3,811	---	1,741,912	+40.12
1980	4,670	+22.54	2,409,544	+38.33
1990	6,682	+43.08	2,818,199	+16.96
2000	9,514	+42.38	3,400,578	+20.66
2010	11,952	+25.63	4,092,459	+20.35
2020	13,618	+13.94	4,731,145	+15.61

(a) Source: U.S. Census Bureau.

Employment Statistics

State of Texas

	<u>2025 (a)</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Labor Force	15,885,187	15,608,932	15,217,552	14,741,150	14,319,776
Employed	15,144,613	14,971,373	14,608,665	14,159,995	13,512,599
Unemployed	740,574	637,559	608,887	581,155	807,177
Unemployment Rate	4.7%	4.1%	4.0%	3.9%	5.6%

Harris County, Texas

	<u>2025 (a)</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Labor Force	2,534,434	2,497,420	2,432,184	2,360,859	2,319,413
Employed	2,407,336	2,386,885	2,327,972	2,260,680	2,173,458
Unemployed	127,098	110,535	104,212	100,179	145,955
Unemployment Rate	5.0%	4.4%	4.3%	4.2%	6.3%

Source: Texas Workforce Commission.

(a) As of August 31, 2025.

APPENDIX B
AUDITED FINANCIAL STATEMENTS OF THE CITY

City of Seabrook, Texas

Annual Comprehensive Financial Report

Fiscal Year Ending September 30, 2024



"The City of Seabrook is responsive, innovative and fiscally sound in delivering services that preserve, protect and enhance quality of life."

CITY OF SEABROOK, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the year ended September 30, 2024

Prepared by
City Administration and the Finance and Accounting Office

Gayle Cook
City Manager

Sean Landis
Assistant City Manager

Michael Gibbs
Director of Finance

INTRODUCTORY SECTION



May 30, 2025

To the Honorable Mayor, Members of City Council, and Citizens of the City of Seabrook, Texas:

It is our pleasure to submit the Annual Comprehensive Financial Report (ACFR) on behalf of the City of Seabrook, Texas (the "City"). It is required each year that a complete set of financial statements is presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Annual Comprehensive Financial Report of the City for the fiscal year ended September 30, 2024.

This report consists of management's representations concerning the finances of the City and deems the enclosed data to be accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of all City activities and funds. Therefore, management assumes full responsibility for the completeness and reliability of all information presented in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatements. The City also acknowledges all disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City's financial statements have been audited by Crowe LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2024 are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion that the financial statements for the year ended September 30, 2024 are fairly presented in conformity with U.S. GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

As required by U.S. GAAP, management has provided a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Seabrook, incorporated in 1961, is in southeastern Harris County and is located in the Clear Lake area, which is approximately 25 miles southeast of Houston. The City is surrounded by Galveston Bay to the east; Clear Lake to the south; and the cities of Pasadena, El Lago, and Taylor Lake Village to the north and west.

The City of Seabrook is a home-rule city and has adopted a Council-Manager form of government. The City Council is comprised of a mayor and six council members. The Mayor and City Council Members are elected at large to serve four-year terms. The City Manager is appointed by the City Council and is responsible for implementation of City Council's policies and all day-to-day operations of the City.

A full range of municipal services is provided by the City including police and fire protection, emergency medical services, solid waste, water and wastewater utilities, public improvements, repair and maintenance of infrastructure, recreational and community activities, planning and zoning, and general administrative services.

As an independent political subdivision of the State of Texas, the City is considered a primary government. Pursuant to standards established by the Governmental Accounting Standards Board (GASB), the City reports all funds for which the City, as a primary government, is financially accountable. As such, this report includes financial activities of two component units as follows:

- The Seabrook Economic Development Corporation was created by the City in 1992 under the Texas Development Corporation Act of 1979 for the purpose of promoting, assisting, and enhancing economic and related development activities on behalf of the City.
- The Seabrook Crime Control and Prevention District was created under the authority granted by Chapter 363 of the Texas Local Government Code and Section 323.105 of the Texas Tax Code for the purpose of strengthening and enhancing crime control activities of the City.

Local Economy

The Clear Lake area, of which Seabrook is a part, is home to NASA's Johnson Space Center and is known to be the third largest boating center in the United States. The regional economy is very diverse and not driven by just one or two industries. Everything from tourism, boating, and recreation industries to aerospace, petrochemical, and biomedical facilities can be found in the immediate Clear Lake area.

Regional Transportation Projects

The **SH 146 Expansion from Red Bluff to FM 96** project (CSJ# 0389-05-116) construction phase began on February 13, 2019, with the planned project duration for 60 months (5 years). As of the end of the fiscal year 2024, the project was substantially complete but not closed out.

The **SH 146 Expansion from Red Bluff to Spencer** (CSJ 0389-05-087) is a continuation of the Major Investment Study conducted in the late 1990s and continues the current expansion project with 3 main lanes northbound and southbound. The construction camp is operational within the city limits of Seabrook as of late 2023, at Red Bluff and SH 146 on the northwest corner in TxDOT right of way. The contractor in the phase of widening the southbound side of SH 146 and has experienced some contractor delays that report the complete widening is still over a year out. Once the southbound lane is constructed, the traffic will transfer, and the northbound side will be constructed. Two new MSE walls are expected to be constructed with this project and the continuation of the 'Bay Area Theme' with the sailboat motif and Seabrook logo will be incorporated into that intersection on three sides.

The project includes the widening of the existing four-lane undivided roadway to a six-lane divided facility (three lanes in each direction) and constructing four frontage roadways (two lanes in each direction) in selected locations, with the addition of pedestrian and bicycle facilities that come into the City limits at the intersection of Red Bluff and SH 146.

The **Port of Houston Rail Spur** project, which began in the early 2020, secured a new construction team on the project in 2023. During this fiscal year, the Port's new contractor completed rail installation across Old SH 146, Northbound and Southbound frontage roads of SH 146. Safety arms that will work with the Quiet Zones were installed but electrical and testing have not been initiated. The completed rail project will traverse SH 146 on the northern boundary of the city and create three (3) new at grade crossing on SH 146 and Old SH 146 serving rail service into the city's industrial districts and the Port of Houston.

The Port of Houston Southern Access Road presented on September 17, 2024, to the City Council about plans for the construction of the Bayport Southern Access Road. During the meeting, the public and City Council viewed a presentation about the proposed alignment from Red Bluff and extending in the Bayport complex. By exhibit, the throughfare in first phase was stated to begin at grade with possible future aerial additions. In the Houston Galveston Area Council (H-GAC), there are 3 identified projects associated with this area: 1) Todville Road Connection constructing a 2-lane raised median; 2) Bayport Cruise Terminal – widen to 4-lane; and 3) Westbound Southern Access Road construction of a direct connector westbound southern access road SH 146 to northbound SH 146.

The Old SH 146 Expansion project by Texas Department of Transportation (TxDOT) has initiated a project to reconstruct the intersection of Old SH 146 and Red Bluff Road. This project includes widening the intersection to six lanes—three lanes in each direction—to improve traffic flow and reduce congestion. Additionally, TxDOT plans to widen portions of Old SH 146, expanding it to four lanes (two lanes in each direction) to accommodate increasing traffic demands.

Economic Condition and Outlook

Property values, as projected, for the fiscal year were approximately \$1.8 billion with strong economic development projects continuing to make progress. During the 2023-2024 fiscal year, the City did experience a drop in permits and added valuation for new residential and commercial developments.

- **Seabrook Towne Center (The Edge)** – In May 2023, the Seabrook Economic Development Corporation finalized an incentive agreement to support the Seabrook Towne Center (The Edge) development. As of the close of FY 2024, vertical construction had not yet commenced. However, progress was made on site preparation, including the completion of sanitary sewer line relocations within the Planned Unit Development (PUD) area. The project is planned to include a 324-unit luxury multi-family apartment complex, approximately 37,000 square feet of leasable retail space, an entertainment plaza, and surrounding walkable trails. Additionally, the development will feature several commercial parcels fronting State Highway 146 and Lakeside Drive.
- **Seabrook Plaza One LLC** – A PUD for the project was approved in March 2023, followed by the Seabrook Economic Development Corporation's approval of an incentive agreement in September 2023. The agreement includes a \$2,000,000 grant payment and an additional \$550,000, or 50%, toward drainage system modifications. As of the end of fiscal year 2024, construction had not yet commenced. The project, located on a 15-acre site along Clear Lake, is planned to include a 170-room boutique hotel, a 76-room extended stay hotel, a 21,500-square-foot conference center and ballroom, approximately 25,000 square feet of retail space, and a 260-unit luxury multi-family residential complex.
- **Residential – Ellis Cove** – This new subdivision continued during the fiscal year for a 48 single family development just off Respdorph near the Seabrook Town Center.
- **Residential – Lake Mija Village, Section 3** – Single family construction continued on Section 3 for Lake Mija Village with an estimated 75 single family homes in the subdivision just off Lake Mija.
- **Residential – Oak Alley Estates** – This smaller residential project consisting of 10 single family units completed four units and continues its progress just of E. Meyer and N. Meyer.
- **Residential – Old Seabrook Village, Section A and B** – This 88 single family Planned Unit Development consisting of Sections A-C continued development during the year adding to sections A and B. The new section saw a slow in plans due to market conditions.

Long-Term Financial Planning

Debt Management Policy

The City Council has adopted a series of financial standards and policies for operating and debt management. To establish guidelines for debt financing, the City Council approved Resolution 2015-01, Debt Management Policy, for expenditures including facilities, land, capital equipment, and infrastructure improvements. The policy minimizes the impact of debt payments on current and future revenues.

Comprehensive Master Plan

The Comprehensive Master Plan 2040 completed its last update in 2022 and is being utilized as new developments and applications are submitted.

Capital Improvement Plan

The City annually adopts a five-year Capital Improvement Plan with the approval of a one-year annual budget during the current fiscal year that includes the short-term improvement plan for water, wastewater, drainage, and other municipal facilities. For this fiscal year, multiple projects were identified for initiation in water, wastewater, and streets.

SH 146 Expansion Stabilization Fund

In December 2011, the City adopted an ordinance establishing a Budget Stabilization Fund. Using surplus revenues from both the general and the enterprise funds from 2011, \$800,000 was set aside to offset any adverse impact caused from the construction on SH 146. This is a separate fund and is in addition to the City's 25% of operating expenditures and additional unrestricted fund balance in the general fund and the 15% in the enterprise fund. To date, the City has not utilized this special fund.

Certificates of Obligation

In 2016, the City issued Certificates of Obligation in the amount of \$2,500,000. This project made way for commercial development in the Seabrook Town Center development. The City entered into an agreement with the Seabrook Economic Development Corporation to make the debt service payments on the Certificates of Obligation as they relate to economic development. The project for this issuance was as follows:

- Ground water storage tank and water plant (CIP # W4)

In 2017, the City issued Certificates of Obligation, Series 2016A for the amount of \$6,165,000. Projects included in this issuance were as follows:

- Todville Sewer Line Replacement from Main Street to Meyer (CIP # WW4)
- Wastewater Treatment Plant Upgrades – Phase 2 (Clarifier) (CIP # WW6)
- Wastewater Treatment Plant at Pine Gully (CIP # WW9)

In 2020, the City issued Certificates of Obligation, Series 2020 for the amount of \$9,090,000. Projects for the issuance were as follows:

- Wastewater Treatment Plant Retrofit (CIP # WW9)
- El Mar Ditch Drainage Project – (CIP # D2)
- Seascape Subdivision Drainage Project (CIP # D11)
- Baybrook Subdivision Drainage Project (CIP # D12)
- Smart Water Meter Conversion (AMI) System (CIP # FAC6)

All projects were activated and in different phases of completion except for CIP # D2. This project did not proceed after issuance of debt was not approved by City Council. The funds were redirected through the capital improvement meetings for the CIP # S13 and the drainage improvements in the City owned side streets.

In 2024, the City issued Certificates of Obligation, Series 2024 for the amount of \$10,000,000. Projects for the issuance were for:

- Street Program

Bond Program 2023

On August 1, 2023, the City Council approved Ordinance 2023-19, Calling for a Special Bond Election on November 7, 2023. The following are the propositions that were presented to the qualified voters:

- Proposition A - \$27,800,000 *Public Safety Building
- Proposition B - \$ 2,400,000 EMS Renovation to Fire Station
- Proposition C - \$ 1,905,000 Fire Engine and Fire Training Tower

*Failed: Proposition A – Public Safety Building

Major Initiatives

The following capital projects are in progress and are initiatives at different stages of implementation being design, procurement, or construction.

Water

1. Red Acres Subdivision Water Line (CIP# W9)
2. Old SH 146 Interconnect (CIP# W16)
3. SH 146 Frontage Road to Red Bluff Water Line Interconnect (CIP# W21)
4. Seascape Water Lines (CIP# W31)

Wastewater

5. Pine Gully Wastewater Treatment Plant (CIP # WW9)
6. Portable Generators for Lift Stations (CIP# WW16)
7. Lakeside Sanitary Sewer Relocation (CIP# WW20)
8. Lift Station No. 5 Force Main Improvements (CIP# WW14)
9. Main Street Wastewater Plant Demo (CIP# WW19)
10. Pine Gully Lift Station Force main Bore (CIP# WW21)

Facilities

11. City Hall Generator (CIP# FAC22)
12. Fire Station Generator (CIP# FAC33)
13. Fiber Loop (CIP# FAC31)
14. EMS & EOC Building Feasibility Study (CIP# FAC25)

Parks

15. Pelican Bay Municipal Pool Facility (CIP# P24)

Overview of the Budget Process

The City of Seabrook's budget process is a multi-step procedure which transforms taxpayer requests and resources into government services and expenditures. The City of Seabrook is committed to align community goals, performance measures and council priorities to the City's budget. The following is the budget process for the City.

Definition and Authority

The budget document is a financial plan that aligns all revenues and expenditures with the services provided to Seabrook residents, based on established budgetary policies and procedures. The budget and accounting year are established in Section 5.01 of the City Charter which establishes the fiscal year will begin the first day of October and end the last day of September. The City Charter also requires the City Manager submit a proposed balanced budget to City Council at least sixty (60 days prior to the end of the fiscal year. The budget shall provide a complete financial plan of all City funds and activities for the current fiscal year and ensuing five (5) fiscal years. Additional information that shall be included in the budget, but not limited to is as follows:

- A budget message explaining the budget both in fiscal terms and in terms of the work programs, the proposed financial policies, describe the important features of the budget and indicate any major changes in revenue and expenses.
- Statement with estimated revenues and proposed expenditures for the proposed budget and ensuing five (5) years
- Tax levies, rates and collections for the proceeding three (3) years.

Budget Preparation Process

Activities of the general, debt service, and special revenue funds are included in the annual appropriated budget. The City Manager, Finance Department and Department Directors analyzed data and prepared the upcoming Fiscal Year budget. The annual process began in March with the Finance department analyzing financial estimates and historical data to work on upcoming projections. Additionally, Staff held the first strategic planning meeting for the year. Budget kick-off was held in April. The City's budget team consists of the City Manager, Department Directors, Finance Director and key members of the Finance Department. During the kickoff meeting the Finance Director distributed the budget and goal sheets to the Department Directors and held an overview of the budget process including expectations and explanation of revenue projections. The Finance Department works with the Directors to facilitate the completion of the department budgets.

All Department Directors submit the detailed budget sheets and decision packages to the finance department. Once the budget sheets and decision packages are reviewed by the finance department the budget and supporting documents are submitted to the City Manager. Department directors meet with the City Manager to go over their budgets. The Finance Director implements any changes that result from the City Manager and Directors meetings. The Finance Department works on revenue projections, reviews the budget and submits the Proposed Budget to City Council to meet the City Charters sixty day required deadline, sometime in late July.

Once the Proposed Budget has been submitted to City Council a series of budget workshops are conducted to allow Council to have additional input and change to the budget. During this period the finance department receives and estimated appraisal tax roll from Harris County Appraisal District.

Property tax is the largest revenue source for the General Fund operating budget. Estimating these revenues can have a huge impact on the level of service the City can provide the citizens. Once the finance department has the estimated tax roll, revenue estimates are recalculated, and the budget document is reviewed and public notices are prepared.

City Charter Article 5 Section 5(b states Council shall post in the City Hall and publish in the official newspaper a general summary of their proposed budget and a notice stating:

- 1) The times and places where copies of the message and budget are available for inspection by the public, and
- 2) The time and place, not less than two (2) weeks after such publication, for a public hearing on the budget.

After the public hearing the budget shall be finally adopted by ordinance by one reading not later than the twenty seventh (27) of the last month of the fiscal year.

Budgetary Control

Monthly financial reports are delivered to City Council to ensure budgetary control. The monthly performance report highlights monthly revenue and expenditures, percentages and year-to-date totals to show any variances in the appropriated funds. The monthly reports are distributed to City Council, Economic Development Board, the City Manager and the Department Directors. The City Manager is authorized to approve line item transfers within a department, however, if the overall department expenditures is increased the budget amendment must be approved by City Council.

Certificate of Achievement

The City of Seabrook received the Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its Annual Comprehensive Financial Report for the year ended September 30, 2023. This was the 45th consecutive year that the City has received this prestigious award.

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

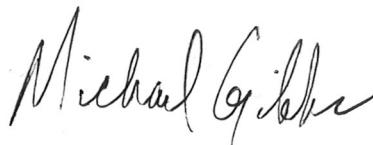
A Certificate of Achievement is valid for a period of one year only. We believe our current report conforms to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for an award.

Acknowledgments

The preparation of this report was accomplished with the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the departments who assisted and contributed to its preparation. We would also like to thank the Mayor, members of the City Council, and the City Manager for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

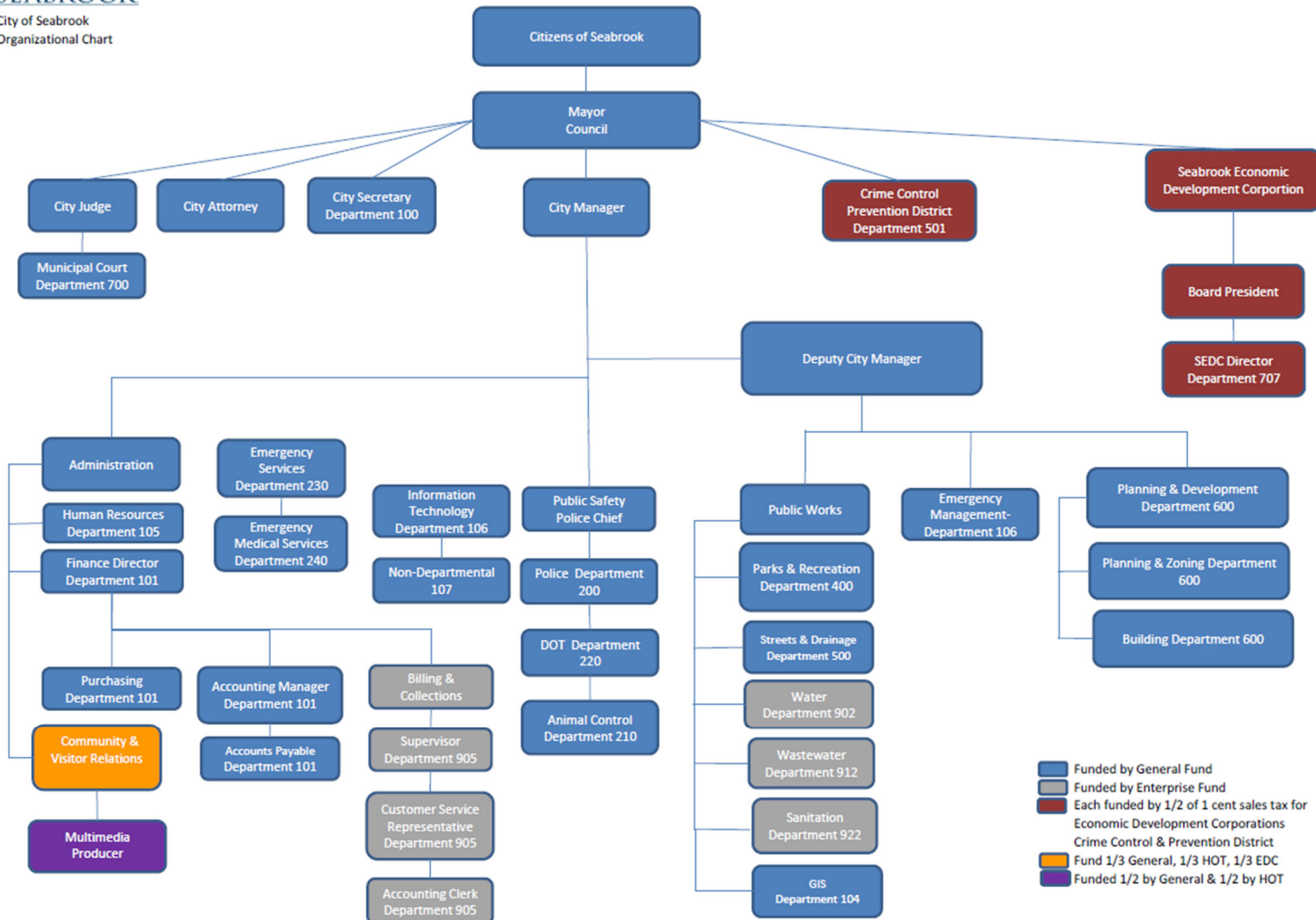


Gayle Cook
City Manager



Michael Gibbs
Director of Finance

CITY OF SEABROOK, TEXAS
ORGANIZATIONAL CHART
September 30, 2024





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Seabrook
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2023

Christopher P. Morrell

Executive Director/CEO

CITY OF SEABROOK, TEXAS
PRINCIPAL OFFICIALS
For year ended September 30, 2024

City Officials

Thomas G. Kolupski
Jackie Rasco
Rob Hefner
Tom Tollett
Mike Giangrosso
Walter "Buddy" Hammann III
Joe Machol

Elective Position

Mayor
Council Member – Position One
Council Member – Position Two
Council Member – Position Three
Council Member – Position Four
Council Member – Position Five, Mayor Pro Tem
Council Member – Position Six

Key Staff

Gayle Cook
Sean Landis
Michael Gibbs
Rachel Lewis
Rolf Nelson
Kevin Padgett
Dick Gregg

Position

City Manager
Assistant City Manager
Director of Finance
City Secretary
Police Chief
Director of Public Services
Municipal Judge

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
City Council Members of the
City of Seabrook, Texas

Report on the Audit of the Financial Statements***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Seabrook, Texas (the "City"), as of and for the year ended September 30, 2024, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2024, 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

(Continued)

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 and Government Auditing Standards 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 and *Government Auditing Standards*, 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 comparison information, schedules of changes in net pension and total other postemployment benefits liability and related ratios, and schedules of contributions, identified as Required Supplementary Information on the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

(Continued)

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 statements and schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2025 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.


Crowe LLP

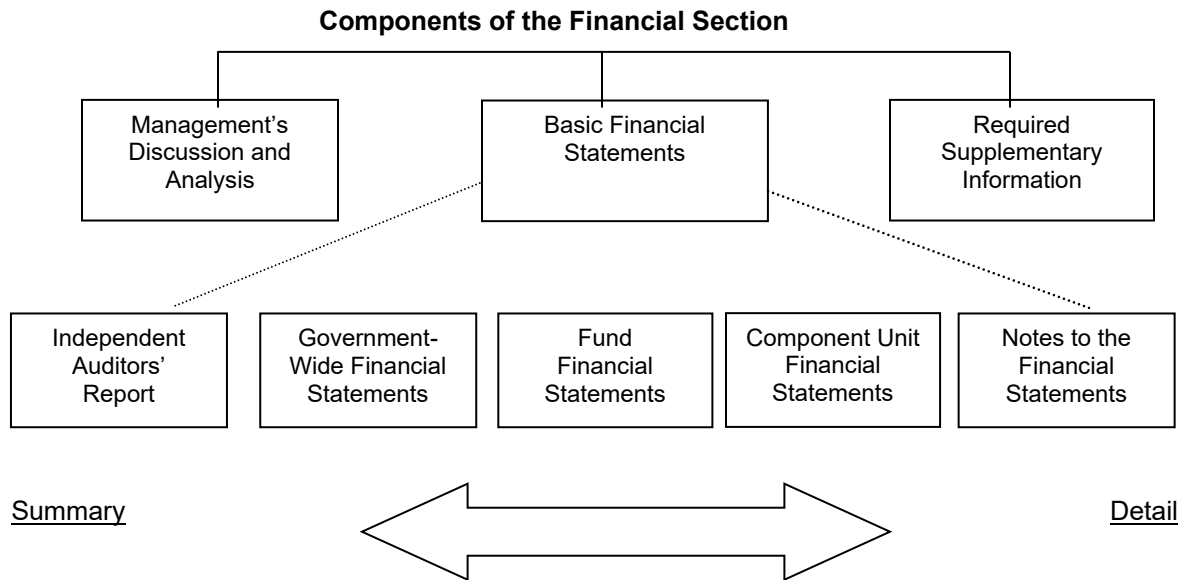
Houston, Texas
May 30, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF SEABROOK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2024

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Seabrook, Texas (the "City") for the year ended September 30, 2024. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the transmittal letter at the front of this report and the City's basic financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT



The City's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred outflows/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 position of the City is improving or deteriorating. Other nonfinancial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

(Continued)

CITY OF SEABROOK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2024

The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities divide the City's financials into two classes of activities:

1. *Governmental Activities* – Most of the City's basic services are reported here including public safety, public works, community development, and general administrative services. Interest payments on the City's debt are also reported here. Sales tax, property tax, franchise fees, municipal court fines, and permit fees finance most of these activities.
2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the City's water, wastewater, and civic center rentals.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate economic development corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. The crime control and prevention district, although also legally separate, functions for all practical purposes as a department of the City and, therefore, has been included as an integral part of the primary government.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance related legal reporting requirements. The two categories of City funds are governmental and proprietary.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *on balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 10 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 the general, debt service, and capital projects funds, which are considered to be major funds for reporting purposes.

(Continued)

CITY OF SEABROOK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2024

The City adopts an annual appropriated budget for its general fund, debt service fund, and select special revenue funds. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with these budgets.

Proprietary Funds

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water, sewer, and sanitation operations.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for the management of its public safety vehicles and equipment. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

Other Information

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund, schedule of changes in net pension liability and related ratios – Texas Municipal Retirement System (TMRS), schedule of changes in the total OPEB liability and related ratios – Supplemental Death Benefits Fund, and a schedule of contributions for TMRS. RSI can be found after the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. For the City, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$110,087,434 as of September 30, 2024. This compares with \$100,590,433 from the prior fiscal year. The largest portion of the City's net position, 76%, reflects its investment in capital assets (e.g., land, building, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

CITY OF SEABROOK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2024

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
ASSETS						
Current and other assets	\$ 37,597,777	\$ 26,245,749	\$ 15,370,627	\$ 16,720,446	\$ 52,968,404	\$ 42,966,195
Capital assets, net	44,798,395	44,337,528	67,766,117	60,334,682	112,564,512	104,672,210
Total assets	<u>82,396,172</u>	<u>70,583,277</u>	<u>83,136,744</u>	<u>77,055,128</u>	<u>165,532,916</u>	<u>147,638,405</u>
DEFERRED OUTFLOWS ON RESOURCES						
Deferred charge on refunding	66,307	103,416	4,169	8,338	70,476	111,754
Deferred outflows - pensions	2,144,054	3,728,773	301,298	504,599	2,445,352	4,233,372
Deferred outflows - OPEB	61,928	68,643	-	-	61,928	68,643
Total deferred outflows on resources	<u>2,272,289</u>	<u>3,900,832</u>	<u>305,467</u>	<u>512,937</u>	<u>2,577,756</u>	<u>4,413,769</u>
LIABILITIES						
Long-term liabilities	34,239,426	22,947,306	18,812,188	20,093,066	53,051,614	43,040,372
Other liabilities	1,578,574	4,337,563	2,613,479	3,611,141	4,192,053	7,948,704
Total liabilities	<u>35,818,000</u>	<u>27,284,869</u>	<u>21,425,667</u>	<u>23,704,207</u>	<u>57,243,667</u>	<u>50,989,076</u>
DEFERRED INFLOWS ON RESOURCES						
Deferred inflows - pensions	343,885	20,065	57,859	16,317	401,744	36,382
Deferred inflows - OPEB	112,593	141,579	-	-	112,593	141,579
Deferred inflows - leases	265,234	294,704	-	-	265,234	294,704
Total deferred inflows on resources	<u>721,712</u>	<u>456,348</u>	<u>57,859</u>	<u>16,317</u>	<u>779,571</u>	<u>472,665</u>
NET POSITION						
Net investment in capital assets	33,779,784	31,557,834	49,894,164	41,427,075	83,673,948	72,984,909
Restricted	6,551,176	6,235,065	4,972,406	4,881,538	11,523,582	11,116,603
Unrestricted	7,797,789	8,949,993	7,092,115	7,538,928	14,889,904	16,488,921
Total net position	<u>\$ 48,128,749</u>	<u>\$ 46,742,892</u>	<u>\$ 61,958,685</u>	<u>\$ 53,847,541</u>	<u>\$ 110,087,434</u>	<u>\$ 100,590,433</u>

A portion of the primary government's net position, \$11,523,582 or 10%, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$14,889,904 or 14%, may be used to meet the City's ongoing obligation to citizens and creditors.

The City's total net position increased by \$9,497,001 as compared to the prior year. Overall, total assets increased primarily related to proceeds from the issuance of new debt. Capital assets increased mostly due to ongoing construction in progress. Total liabilities increased compared to prior year primarily related to increases in long-term liability amounts at the end of the year as a result of the issuance of new debt. Compared to the prior year, deferred outflows of resources decreased mainly due to changes in actuarially determined amounts for the net difference between projected and actual investment earnings.

(Continued)

CITY OF SEABROOK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2024

Statement of Activities

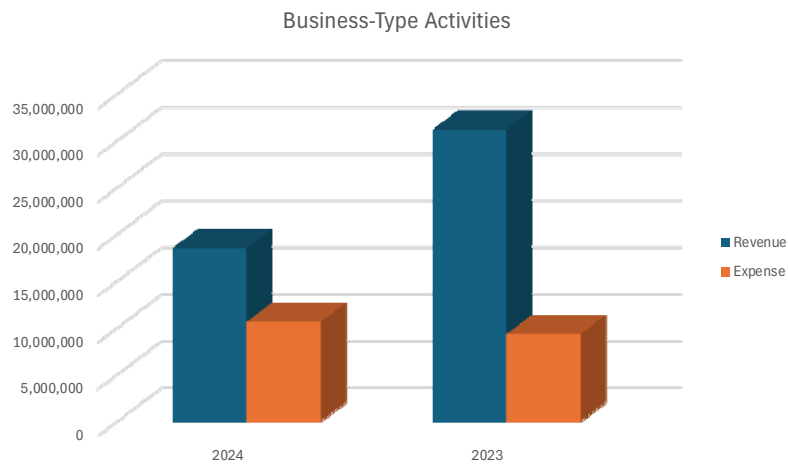
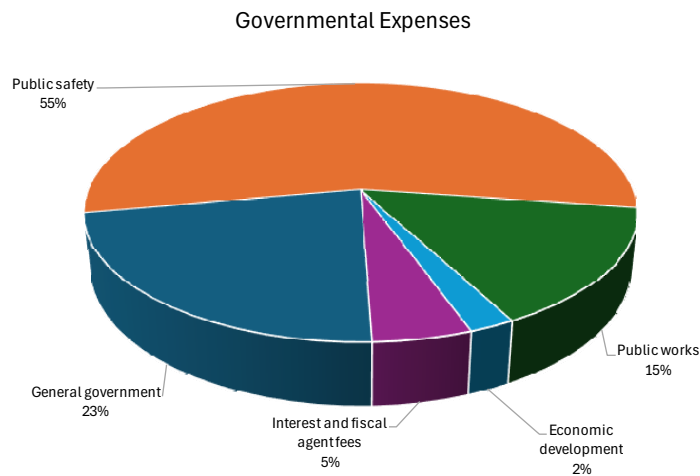
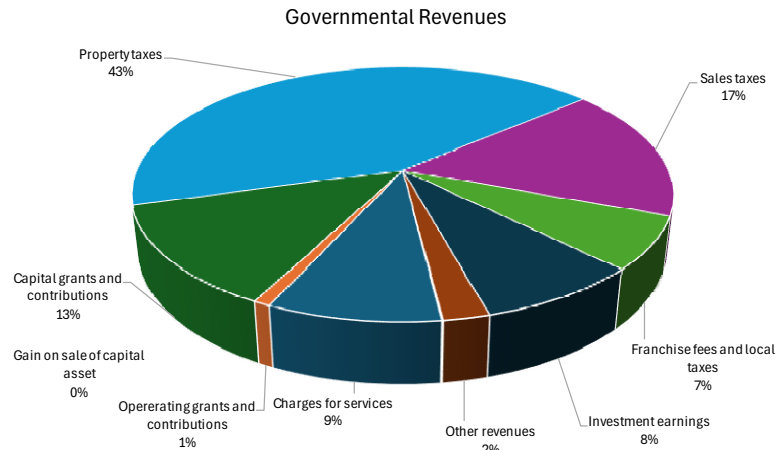
The following table provides a summary of the City's changes in net position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Revenues						
Program revenues:						
Charges for services	\$ 1,740,033	\$ 1,326,293	\$ 11,918,031	\$ 11,927,424	\$ 13,658,064	\$ 13,253,717
Operating grants and contributions	172,876	863,698	-	-	172,876	863,698
Capital grants and contributions	2,600,469	-	5,579,994	18,410,179	8,180,463	18,410,179
General revenues:						
Property taxes	8,557,112	8,125,813	-	-	8,557,112	8,125,813
Sales taxes	3,348,696	3,693,971	-	-	3,348,696	3,693,971
Franchise fees and local taxes	1,331,273	1,243,064	419,903	422,135	1,751,176	1,665,199
Investment earnings	1,660,015	1,069,225	527,453	336,432	2,187,468	1,405,657
Other revenues	467,165	590,348	21,507	27,330	488,672	617,678
Gain on sale of capital asset	14,767	-	-	-	14,767	-
Total revenues	<u>19,892,406</u>	<u>16,912,412</u>	<u>18,466,888</u>	<u>31,123,500</u>	<u>38,359,294</u>	<u>48,035,912</u>
Expenses						
General government	4,168,822	4,517,144	-	-	4,168,822	4,517,144
Public safety	10,038,953	9,122,987	-	-	10,038,953	9,122,987
Public works	2,752,134	2,794,535	-	-	2,752,134	2,794,535
Economic development	417,428	476,929	-	-	417,428	476,929
Interest and fiscal agent fees	905,071	482,521	-	-	905,071	482,521
Utilities	-	-	10,579,885	9,270,928	10,579,885	9,270,928
Total expenses	<u>18,282,408</u>	<u>17,394,116</u>	<u>10,579,885</u>	<u>9,270,928</u>	<u>28,862,293</u>	<u>26,665,044</u>
Increase in net position before transfers	1,609,998	(481,704)	7,887,003	21,852,572	9,497,001	21,370,868
Transfers	(224,141)	1,776,319	224,141	(1,776,319)	-	-
Change in net position	1,385,857	1,294,615	8,111,144	20,076,253	9,497,001	21,370,868
Beginning net position	46,742,892	45,448,277	53,847,541	33,771,288	100,590,433	79,219,565
Ending net position	<u>\$ 48,128,749</u>	<u>\$ 46,742,892</u>	<u>\$ 61,958,685</u>	<u>\$ 53,847,541</u>	<u>\$ 110,087,434</u>	<u>\$ 100,590,433</u>

(Continued)

CITY OF SEABROOK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2024

Graphic presentations of selected data from the governmental activities summary tables follow to assist in the analysis of the City's activities.



(Continued)

CITY OF SEABROOK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2024

For the year ended September 30, 2024, revenues from governmental activities totaled \$19,892,406, which is an increase of \$2,979,994 from the prior year. This net increase is primarily related to an increase in capital grants and contribution. Capital grants and contributions increased due to an increase in grant Coronavirus State and Local Fiscal Recovery grant revenues.

For the year ended September 30, 2024, expenses from governmental activities totaled \$18,282,408, which is an increase of \$888,292 from the prior year. This net change can be attributed to increases in public safety and interest and fiscal agent fees. These functions increased primarily due to Hurricane Beryl debris clean up expenses, as well as issuance costs related to the issuance of new debt.

Operating revenues for business-type activities increased from the prior year. Capital grants and contributions decreased by \$12,830,185 as a result of a decrease in grant activity for the wastewater plant project in the current year. Charges for services in the amount of \$11,918,031 were comparable to the prior year. Operating expenses for business-type activities increased from the prior year. Utility expenses increased by \$1,308,957 primarily due to increases in contractual and professional fees and repairs and maintenance.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds – The focus of the City's 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, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

The City's governmental funds reflect a combined fund balance of \$33,475,889. Of this, \$52,864 is nonspendable, \$23,852,875 is restricted for various purposes, \$895,366 is committed for a stabilization fund to cover potential future budget shortfalls, \$1,600,000 is committed for a sound mitigation project, \$1,035,522 is assigned for capital projects, and \$16,030 is assigned for animal control. The remaining balance of \$6,023,232 is unassigned in the general fund.

There was a net increase in the combined fund balance of \$14,605,838 compared to the prior year, primarily due to increases in proceeds from the issuance of new debt.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was \$6,023,232, while total fund balance reached \$8,571,162. As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 41% of total general fund expenditures, while total fund balance represents 58% of the same amount. Total general fund revenues increased slightly in the current year primarily related to increases in property tax revenue. This increase is primarily due to an increase in assessed values. Total general fund expenditures also increased primarily related to increases in public safety due to Hurricane Beryl debris clean up costs.

The debt service fund has a total fund balance of \$2,220,721, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$99,958, which is a result premium from the issuance of new debt.

The fund balance in the capital projects fund was \$18,372,069, which is an increase of \$14,728,434 when compared to the prior year. This increase is primarily related to proceeds from the issuance of new debt.

(Continued)

CITY OF SEABROOK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2024

Proprietary Funds – The City's proprietary funds financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual general fund revenues were less than the original and amended budgeted revenues by a net \$521,388 during 2024. This net variance is primarily related to less property tax, sales tax and licenses and permits revenue than what was anticipated. Actual expenditures were less than original and amended budgeted expenditures by \$63,237 during 2024. The greatest variance was in the public safety function.

CAPITAL ASSETS

At the end of the current year, the City's governmental and business-type activities had invested \$44,798,395 and \$67,766,117, respectively, in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of \$460,867 for governmental activities and a net increase of \$7,431,435 for business-type activities.

More detailed information about the City's capital assets is presented in note 3 of the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total bonds and certificates of obligation outstanding of \$43,336,499. Of this amount, \$14,410,000 was general obligation debt, \$1,046,000 was revenue bond debt, \$24,805,000 was certificates of obligation, and the remaining \$3,075,499 was a loan from the State Infrastructure Bank.

More detailed information about the City's long-term liabilities is presented in note 3 of the financial statements.

Current underlying ratings on debt issues are as follows:

<u>Debt Type</u>	<u>Moody's Investors Services</u>	<u>Standard and Poor's</u>
General obligation bonds	Aa3	AA
Revenue bonds	Aa3	AA

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City Council provided staff with their vision for the future of the City and specific policy guidance with which to propose the fiscal year 2025 budget. The City's general fund revenue is principally made up of property taxes, sales taxes, and franchise fees. The revenue projections for the budget are based on historical data and estimates from the finance department and individual department heads, but they have been projected conservatively.

City Council approved a general fund budget of \$16 million for the 2025 fiscal year. The 2025 budget incorporated a tax rate of \$0.455156 per \$100 of valuation, which was approximately a 1% decrease from the prior year.

(Continued)

CITY OF SEABROOK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2024

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Michael Gibbs, Director of Finance, City Hall, 1700 First Street, Seabrook, TX, 77586; telephone (281) 291-5677; or for general City information, visit the City's website at www.seabrooktx.gov.

BASIC FINANCIAL STATEMENTS

CITY OF SEABROOK, TEXAS
STATEMENT OF NET POSITION
September 30, 2024

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit
ASSETS				
Cash and cash equivalents	\$ 35,846,380	\$ 6,557,393	\$ 42,403,773	\$ 4,588,102
Receivables, net of allowances	1,438,819	3,736,697	5,175,516	188,144
Lease Receivable	259,714	-	259,714	-
Due from primary government	-	-	-	81,136
Prepays and other assets	52,864	-	52,864	-
Restricted assets:				
Temporarily restricted cash and cash equivalents	-	5,076,537	5,076,537	-
Capital assets:				
Nondepreciable capital assets	15,257,030	47,029,167	62,286,197	-
Depreciable capital assets, net	29,541,365	20,736,950	50,278,315	-
	44,798,395	67,766,117	112,564,512	-
Total assets	82,396,172	83,136,744	165,532,916	4,857,382
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	66,307	4,169	70,476	-
Deferred outflows - pensions	2,144,054	301,298	2,445,352	-
Deferred outflows - OPEB	61,928	-	61,928	-
Total deferred outflows of resources	2,272,289	305,467	2,577,756	-
LIABILITIES				
Accounts payable and accrued liabilities	858,984	2,515,080	3,374,064	2,895
Due to component unit	81,136	-	81,136	-
Unearned revenue	583,691	-	583,691	-
Accrued bond interest	54,763	98,399	153,162	-
Long-term liabilities				
Portion due within one year	2,290,247	993,593	3,283,840	-
Portion due in more than one year	31,949,179	17,818,595	49,767,774	-
Total liabilities	35,818,000	21,425,667	57,243,667	2,895
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pensions	343,885	57,859	401,744	-
Deferred inflows - OPEB	112,593	-	112,593	-
Deferred inflows- leases	265,234	-	265,234	-
Total deferred inflows of resources	721,712	57,859	779,571	-
NET POSITION				
Net investment in capital assets	33,779,784	49,894,164	83,673,948	-
Restricted for				
Debt service	2,255,569	591,878	2,847,447	-
Public safety	1,991,611	-	1,991,611	-
Parks	270,924	-	270,924	-
Tourism	1,949,813	-	1,949,813	-
Governmental programming	83,259	-	83,259	-
Capital projects	-	4,380,528	4,380,528	-
Economic development	-	-	-	4,854,487
Unrestricted	7,797,789	7,092,115	14,889,904	-
Total net position	\$ 48,128,749	\$ 61,958,685	\$ 110,087,434	\$ 4,854,487

See notes to financial statements.

CITY OF SEABROOK, TEXAS
STATEMENT OF ACTIVITIES
For the year ended September 30, 2024

					Net Revenue (Expense) and Changes in Net Position			
					Primary Government			
		Program Revenues						
		Charges for	Operating	Capital	Government	Business-Type		Component
Functions/Programs	Expenses	Services	Grants and Contributions	Grants and Contributions	Activities	Activities	Total	Unit
Primary Government								
Governmental activities								
General government	\$ 4,168,822	\$ 872,047	\$ -	\$ -	\$ (3,296,775)	\$ -	\$ (3,296,775)	\$ -
Public safety	10,038,953	577,083	-	-	(9,461,870)	-	(9,461,870)	-
Public works	2,752,134	290,903	172,876	2,600,469	312,114	-	312,114	-
Economic development	417,428	-	-	-	(417,428)	-	(417,428)	-
Interest and fiscal agent fees	905,071	-	-	-	(905,071)	-	(905,071)	-
Total governmental activities	18,282,408	1,740,033	172,876	2,600,469	(13,769,030)	-	(13,769,030)	-
Business-type activities								
Utilities	10,579,885	11,918,031	-	5,579,994	-	6,918,140	6,918,140	-
Total business-type activities	10,579,885	11,918,031	-	5,579,994	-	6,918,140	6,918,140	-
Total primary government	\$ 28,862,293	\$ 13,658,064	\$ 172,876	\$ 8,180,463	(13,769,030)	6,918,140	(6,850,890)	-
Component Units								
Seabrook Economic Development Corp	\$ 518,302	\$ -	\$ -	\$ -	-	-	-	(518,302)
Total component units	\$ 518,302	\$ -	\$ -	\$ -	-	-	-	(518,302)
General revenues								
Property taxes					8,557,112	-	8,557,112	-
Sales taxes					3,348,696	-	3,348,696	1,090,226
Franchise fees and local taxes					692,869	419,903	1,112,772	-
Other taxes					638,404	-	638,404	-
Investment revenue					1,660,015	527,453	2,187,468	218,352
Other revenues					467,165	21,507	488,672	2,194
Gain on sale of capital asset					14,767	-	14,767	-
Transfers					(224,141)	224,141	-	-
Total general revenues and transfers					15,154,887	1,193,004	16,347,891	1,310,772
Change in net position					1,385,857	8,111,144	9,497,001	792,470
Beginning net position					46,742,892	53,847,541	100,590,433	4,062,017
Ending net position					\$ 48,128,749	\$ 61,958,685	\$ 110,087,434	\$ 4,854,487

See notes to financial statements.

CITY OF SEABROOK, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2024

	General	Debt Service	Capital Projects	Nonmajor Governmental	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 9,002,231	\$ 2,228,012	\$ 18,964,871	\$ 3,954,432	\$ 34,149,546
Receivables, net	954,324	89,611	-	394,884	1,438,819
Due from other funds	6,081	-	-	-	6,081
Lease receivable	259,714	-	-	-	259,714
Prepaid items	52,564	-	-	300	52,864
Total assets	<u>\$ 10,274,914</u>	<u>\$ 2,317,623</u>	<u>\$ 18,964,871</u>	<u>\$ 4,349,616</u>	<u>\$ 35,907,024</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 701,273	\$ 1,210	\$ 99,060	\$ 32,968	\$ 834,511
Deposits payable	-	-	-	300	300
Due to other funds	56,700	6,081	-	-	62,781
Due to component unit	81,136	-	-	-	81,136
Due to others	22,223	-	-	-	22,223
Unearned revenue	85,538	-	493,742	4,411	583,691
Total liabilities	<u>946,870</u>	<u>7,291</u>	<u>592,802</u>	<u>37,679</u>	<u>1,584,642</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - EMS services	229,039	-	-	-	229,039
Unavailable revenue - property taxes	262,609	89,611	-	-	352,220
Deferred inflows- leases	265,234	-	-	-	265,234
Total deferred inflows of resources	<u>756,882</u>	<u>89,611</u>	<u>-</u>	<u>-</u>	<u>846,493</u>
FUND BALANCES					
Nonspendable					
Prepays	52,564	-	-	300	52,864
Restricted for					
Debt service	-	2,220,721	-	-	2,220,721
Public safety	-	-	-	1,991,611	1,991,611
Parks	-	-	-	270,924	270,924
Tourism	-	-	-	1,949,813	1,949,813
Governmental programming	-	-	-	83,259	83,259
Capital projects	-	-	17,336,547	-	17,336,547
Committed for					
Stabilization fund	895,366	-	-	-	895,366
Sound mitigation project	1,600,000	-	-	-	1,600,000
Assigned for					
Capital projects	-	-	1,035,522	-	1,035,522
Animal control	-	-	-	16,030	16,030
Unassigned	6,023,232	-	-	-	6,023,232
Total fund balances	<u>8,571,162</u>	<u>2,220,721</u>	<u>18,372,069</u>	<u>4,311,937</u>	<u>33,475,889</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,274,914</u>	<u>\$ 2,317,623</u>	<u>\$ 18,964,871</u>	<u>\$ 4,349,616</u>	<u>\$ 35,907,024</u>

See notes to financial statements.

CITY OF SEABROOK, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION
September 30, 2024

Total fund balances for governmental funds	\$ 33,475,889
--	---------------

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources are, therefore, not reported in the governmental funds.

Capital assets - nondepreciable	15,257,030
Capital assets - depreciable/amortizable	27,633,520

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	581,259
---	---------

Internal service funds are used by management to charge the costs of certain capital assets and maintenance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Position.

Unrestricted net position	1,751,584
Net investment in capital assets	1,907,845

Some liabilities, including bonds payable, are not reported as liabilities in the governmental funds.

Accrued interest payable	(54,763)
Deferred charge on refunding	66,307
Deferred outflows - pensions	2,144,054
Deferred inflows - pensions	(343,885)
Deferred outflows - OPEB	61,928
Deferred inflows - OPEB	(112,593)
Noncurrent liabilities due in one year	(2,290,247)
Noncurrent liabilities due in more than one year	<u>(31,949,179)</u>

Net position of governmental activities	<u><u>\$ 48,128,749</u></u>
---	-----------------------------

See notes to financial statements.

CITY OF SEABROOK, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended September 30, 2024

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
Revenues					
Property taxes	\$ 6,562,224	\$ 1,974,711	\$ -	\$ -	\$ 8,536,935
Sales taxes	2,311,313	-	-	1,037,383	3,348,696
Franchise fees and local taxes	665,146	-	-	27,723	692,869
Other taxes	-	-	-	638,404	638,404
Licenses and permits	290,903	-	-	-	290,903
Fines and forfeitures	505,198	-	-	71,885	577,083
Charges for services	820,184	-	-	19,618	839,802
Intergovernmental	167,352	-	2,600,469	5,524	2,773,345
Investment revenue	557,821	166,654	639,771	186,897	1,551,143
Other revenue	342,552	-	-	124,613	467,165
Total revenues	<u>12,222,693</u>	<u>2,141,365</u>	<u>3,240,240</u>	<u>2,112,047</u>	<u>19,716,345</u>
Expenditures					
Current					
General government	3,772,566	-	-	124,243	3,896,809
Public safety	8,537,714	-	169,682	901,209	9,608,605
Public works	2,375,291	-	-	-	2,375,291
Economic development	-	-	-	419,052	419,052
Capital outlay	-	-	2,978,702	424,426	3,403,128
Debt service					
Principal	-	1,608,217	-	138,557	1,746,774
Interest and fiscal agent fees	-	686,946	-	1,443	688,389
Issuance costs	-	-	237,980	-	237,980
Total expenditures	<u>14,685,571</u>	<u>2,295,163</u>	<u>3,386,364</u>	<u>2,008,930</u>	<u>22,376,028</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,462,878)</u>	<u>(153,798)</u>	<u>(146,124)</u>	<u>103,117</u>	<u>(2,659,683)</u>
Other Financing Sources (Uses)					
Bonds issued	-	-	13,865,000	-	13,865,000
Lease proceeds	-	-	-	346,387	346,387
Premium on bonds	-	253,756	677,980	-	931,736
Transfers in	2,394,742	-	331,578	-	2,726,320
Transfers (out)	(331,578)	-	-	(272,344)	(603,922)
Total other financing sources (uses)	<u>2,063,164</u>	<u>253,756</u>	<u>14,874,558</u>	<u>74,043</u>	<u>17,265,521</u>
Net change in fund balances	(399,714)	99,958	14,728,434	177,160	14,605,838
Beginning fund balances	<u>8,970,876</u>	<u>2,120,763</u>	<u>3,643,635</u>	<u>4,134,777</u>	<u>18,870,051</u>
Ending fund balances	<u>\$ 8,571,162</u>	<u>\$ 2,220,721</u>	<u>\$ 18,372,069</u>	<u>\$ 4,311,937</u>	<u>\$ 33,475,889</u>

See notes to financial statements.

CITY OF SEABROOK, 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, 2024

Net changes in fund balances - total governmental funds	\$ 14,605,838
---	---------------

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.

Capital outlay	976,230
Depreciation/amortization expense	(1,482,139)
Disposals	(53,034)

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) 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 issuance costs, premiums, discounts, and similar items when they are first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Principal payments	1,746,774
Bond proceeds	(13,865,000)
Lease proceeds	(346,387)
Bond premium	(931,736)
Amortization of premium	75,347
Amortization of deferred charges	(37,109)
Accrued interest	(16,940)

Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the funds.

Property tax	20,177
EMS services	32,245

Governmental funds report the payment of pension contributions as an expenditure; whereas, these payments are treated as reduction in the net pension liability/(asset) on the Statement of Activities.

Compensated absences	(72,605)
Net pension liability	2,129,295
Total OPEB liability	(27,808)
Change in deferred outflows - pensions	(1,584,719)
Change in deferred inflows - pensions	(323,820)
Change in deferred outflows - OPEB	(6,715)
Change in deferred inflows - OPEB	28,986

An internal service fund is used by management to charge the costs of certain capital assets and maintenance to individual funds. The net revenue (expense) is reported with governmental activities.

	518,977
Change in net position of governmental activities	<u>\$ 1,385,857</u>

See notes to financial statements.

CITY OF SEABROOK, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2024

	Business-Type <u>Activities</u> Utility <u>Enterprise</u>	Governmental <u>Activities</u> Internal <u>Service</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6,557,393	\$ 1,696,834
Accounts receivable (net of allowance for uncollectibles)	3,736,697	-
Due from other funds	-	56,700
Restricted cash and cash equivalents		
Capital projects - impact fees	4,380,528	-
Capital projects - bond proceeds	104,131	-
Debt service	591,878	-
Prepaid expense	-	-
Total current assets	<u>15,370,627</u>	<u>1,753,534</u>
Noncurrent assets		
Capital assets:		
Land	1,605,575	-
Buildings	3,424,368	-
Infrastructure	28,440,081	-
Equipment	3,999,413	2,897,953
Construction in progress	45,423,592	-
Less accumulated depreciation	<u>(15,126,912)</u>	<u>(990,108)</u>
Total capital assets (net)	<u>67,766,117</u>	<u>1,907,845</u>
Total noncurrent assets	<u>67,766,117</u>	<u>1,907,845</u>
Total assets	<u>83,136,744</u>	<u>3,661,379</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	4,169	-
Deferred outflows - pensions	301,298	-
Total deferred outflows of resources	<u>305,467</u>	<u>-</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	1,750,217	1,950
Accrued interest payable	98,399	-
Customer deposits	764,863	-
Bonds payable - current	773,251	-
Note payable - current	178,176	-
Compensated absences- current	42,166	-
Total current liabilities	<u>3,607,072</u>	<u>1,950</u>

(Continued)

CITY OF SEABROOK, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2024

	Business-Type <u>Activities</u> Utility <u>Enterprise</u>	Governmental <u>Activities</u> Internal <u>Service</u>
Noncurrent liabilities		
Bonds payable - noncurrent (net of premiums and discounts)	14,131,503	-
Note payable - noncurrent	2,897,323	-
Net pension liability	738,467	-
Compensated absences- noncurrent	<u>51,302</u>	<u>-</u>
Total noncurrent liabilities	<u>17,818,595</u>	<u>-</u>
Total liabilities	<u>21,425,667</u>	<u>1,950</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pensions	<u>57,859</u>	<u>-</u>
Total deferred inflows of resources	<u>57,859</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	49,894,164	1,907,845
Restricted for		
Capital projects - impact fees	4,380,528	-
Debt service	591,878	-
Unrestricted	<u>7,092,115</u>	<u>1,751,584</u>
Total net position	<u><u>\$ 61,958,685</u></u>	<u><u>\$ 3,659,429</u></u>

See notes to financial statements.

CITY OF SEABROOK, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the year ended September 30, 2024

	Business-Type <u>Activities</u> Utility <u>Enterprise</u>	Governmental <u>Activities</u> Internal <u>Service</u>
Operating revenues		
Water service	\$ 5,173,178	\$ -
Sewer service	3,932,920	-
Sanitation service	2,811,933	-
Franchise fees	419,903	-
Service fees	-	255,026
Other revenue	21,507	-
Total operating revenues	<u>12,359,441</u>	<u>255,026</u>
Operating expenses		
Personnel services	1,448,939	-
Supplies and materials	151,003	6,900
Contractual services	6,694,156	-
Repairs and maintenance	856,295	-
Depreciation	896,800	214,528
Total operating expenses	<u>10,047,193</u>	<u>221,428</u>
Operating income	<u>2,312,248</u>	<u>33,598</u>
Nonoperating revenues (expenses)		
Gain on sale of capital assets	-	67,801
Loss on disposal of assets	(6,105)	-
Intergovernmental revenue	5,579,994	-
Investment revenue	527,453	108,872
Interest expense and fiscal charges	(532,692)	-
Total nonoperating revenues	<u>5,568,650</u>	<u>176,673</u>
Income before contributions and transfers	7,880,898	210,271
Contributions and Transfers		
Capital contribution	2,527,874	133,476
Transfers in	86,014	272,344
Transfers (out)	(2,383,642)	(97,114)
Total contributions and transfers	<u>230,246</u>	<u>308,706</u>
Change in net position	8,111,144	518,977
Beginning net position	<u>53,847,541</u>	<u>3,140,452</u>
Ending Net Position	<u>\$ 61,958,685</u>	<u>\$ 3,659,429</u>

See notes to financial statements.

CITY OF SEABROOK, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2024

	Business-Type <u>Activities</u> Utility <u>Enterprise</u>	Governmental <u>Activities</u> Internal <u>Service</u>
Cash flows from operating activities		
Receipts from customers and users	\$ 15,066,839	\$ 198,326
Payments to suppliers	(8,740,603)	(4,950)
Payments to employees	(1,462,490)	-
Net cash provided by operating activities	<u>4,863,746</u>	<u>193,376</u>
Cash flows from noncapital financing activities		
Transfers from other funds	86,014	272,344
Transfers (to) other funds	(2,383,642)	(97,114)
Net cash provided (used) by noncapital financing activities	<u>(2,297,628)</u>	<u>175,230</u>
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(5,806,465)	(1,100,862)
Intergovernmental	5,579,994	-
Proceeds from sale of capital assets	-	67,801
Interest and fiscal charges	(631,007)	-
Principal paid on capital debt	(928,518)	-
Net cash (used) in capital and related financing activities	<u>(1,785,996)</u>	<u>(1,033,061)</u>
Cash flows from investing activities		
Interest on investments	<u>527,453</u>	<u>108,872</u>
Net cash provided by investing activities	<u>527,453</u>	<u>108,872</u>
Net increase/(decrease) in cash and cash equivalents	1,307,575	(555,583)
Beginning cash and cash equivalents	<u>10,326,355</u>	<u>2,252,417</u>
Ending cash and cash equivalents	<u>\$ 11,633,930</u>	<u>\$ 1,696,834</u>
Ending cash and cash equivalents		
Unrestricted cash and cash equivalents	\$ 6,557,393	\$ 1,696,834
Restricted cash and cash equivalents	5,076,537	-
	<u>\$ 11,633,930</u>	<u>\$ 1,696,834</u>

(Continued)

CITY OF SEABROOK, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2024

	Business-Type <u>Activities</u> Utility <u>Enterprise</u>	Governmental <u>Activities</u> Internal <u>Service</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 2,312,248	\$ 33,598
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	896,800	214,528
Changes in operating assets and liabilities		
(Increase) decrease in current assets		
Accounts receivable	2,657,154	-
Due from other funds	-	(56,700)
Prepays	240	-
Deferred outflows - pensions	203,301	-
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	(1,039,389)	1,950
Compensated absences	14,770	-
Customer deposits	50,244	-
Net pension liability	(273,164)	-
Deferred inflows - pensions	41,542	-
Net cash provided by operating activities	<u>\$ 4,863,746</u>	<u>\$ 193,376</u>
Noncash investing, capital, and financing activities		
Contributions of capital assets	<u>\$ 2,527,874</u>	<u>\$ 133,476</u>

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The City of Seabrook, Texas (the "City") was incorporated on October 14, 1961 and adopted the "Home Rule Charter" on August 11, 1979, pursuant to the laws of the State of Texas (the "State") which provide for a Council-Manager form of government. The City Council is the principal legislative body

The City Council is the principal legislative body of the City. The City Manager is appointed by a majority vote of the City Council and is responsible to the City Council for the administration of all the affairs of the City. The City Manager is responsible for the appointment and removal of department directors and employees, supervision and control of all City departments, and preparation of the annual budget.

The City provides the following services: public safety to include police and fire services; public works to include municipal court, drainage, building and code inspection, planning, engineering, street repair and maintenance, park maintenance, and recreational activities for citizens; economic development; and general administrative services.

The City is an independent political subdivision of the State governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The component units as listed below, although legally separate, are considered part of the reporting entity. No other entities, organizations, or functions have been included as part of the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Discretely Presented Component Unit

Seabrook Economic Development Corporation (SEDC) has been included in the reporting entity as a discretely presented component unit. The SEDC was created by the City under the Texas Development Corporation Act of 1979 for the purpose of promoting, assisting, and enhancing economic and development activities on behalf of the City. The Board of Directors (the "Board") is appointed by, and serves at the discretion of, the City Council. SEDC's Board is comprised of the Mayor, a City Council member, and five members who are not employees or City officials, all of whom are appointed by City Council. City Council approval is required for annual budgets and bonded debt issuance. However, the SEDC does not service the City exclusively. In the event of dissolution, net position of the SEDC shall be conveyed to the City. Separate financial statements of the SEDC may be obtained from the finance department of the City.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Blended Component Unit

Crime Control and Prevention District: The Seabrook Crime Control and Prevention District (the “Board”) has been included in the reporting entity as a blended component unit. The District was created by the City under the authority granted by Chapter 363 of the Texas Local Government Code and Section 323.105 of the Texas Tax Code for the purpose of strengthening and enhancing crime control activities of the City. Management of the City has operational responsibility for the component unit. The District provides services exclusively to the City.

An election was held on May 7, 2005 approving the creation of the District and the collection of a one-half cent sales tax to fund its operations, effective on October 1, 2005.

The Board of Directors (the “Board”) is substantively the same as City Council. Their respective positions on the Board will be held until their City Council seat is vacated, at which time the incoming elected member of City Council will fill the position on the Board. The District was to remain in existence for a period of five years and may then be extended upon approval by the voters. On May 8, 2010, voters approved the renewal of the District for a period of 20 years. In the event of dissolution, net position of the District shall be conveyed to the City.

The District is reported as a special revenue fund and does not issue separate financial statements.

Government-Wide Financial Statements: The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the primary government and its component unit. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Basis of Presentation – Government-Wide Financial Statements: While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City’s enterprise funds. Separate financial statements are provided for governmental and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City’s water and wastewater functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Basis of Presentation – Fund Financial Statements: The fund financial statements provide information about the City’s funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

(Continued)

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following governmental funds:

The *general fund* is used to account for and report all financial resources not accounted for and reported in other funds. The principal sources of revenues include local property taxes, sales taxes, franchise fees, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, community development, and public works. The general fund is always considered a major fund for reporting purposes.

The *debt service fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest on all long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

The *special revenue funds* are used to account for and report proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The special revenue funds are considered nonmajor funds for reporting purposes.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition of capital facilities and other capital assets. The capital projects fund is considered a major fund for reporting purposes.

The City reports the following proprietary funds:

The *enterprise fund* is used to account for the operations that provide water and wastewater collection and the construction of related facilities. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The acquisition, maintenance, and improvement of the physical plant facilities required to provide these goods and services are financed from existing cash resources, the issuance of bonds (revenue or general obligation), and other City funds.

The *internal service fund* accounts for fleet management provided to other departments on a cost-reimbursement basis.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus and Basis of Accounting: The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current *financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

The 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 and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Property taxes, sales taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance:

Cash and Cash Equivalents: The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

(Continued)

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City maintains pooled cash and investment accounts. Each fund whose monies are deposited in the pooled cash and investment accounts has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at the previous month end. Amounts on deposit in interest bearing accounts and other investments are displayed on the combined balance sheet as "cash and cash equivalents."

Investments: Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest-earning contracts, such as certificates of deposit, are reported at cost.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government or U.S. Government agencies
- Fully collateralized certificates of deposit
- Money market mutual funds that meet certain criteria
- Bankers' acceptances
- Statewide investment pools

Inventories and Prepaid Items: Inventories are valued at cost using the first-in/first-out (FIFO) method.

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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Restricted Assets: Certain proceeds of bonds, as well as other resources set aside for specific purposes, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements.

Capital Assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

(Continued)

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Property, plant, and equipment of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings and improvements	50 years
Machinery and equipment	5 to 25 years
Water and sewer system	40 to 50 years
Infrastructure	10 to 50 years

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.
- A deferred charge 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.
- Deferred inflows related to leases are amortized over the terms of the leases.

At the fund level, the City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and emergency medical services (EMS). These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

Compensated Employee Absences: Employees earn vacation based on years of service with the City. Amounts accumulated may be paid to employees upon termination of employment or during employment. Employees must take vacation within 12 months after earning it. Vacation not taken within 12 months after earning may be accumulated from one year to the next, not to exceed 240 hours.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sick leave and long-term disability are not accrued but recognized when paid, since no liability exists upon termination of employment, with the exception of Civil Service employees. Civil Service personnel are compensated for accrued sick leave for up to 90 days upon termination of employment.

The estimated amount of compensation for services provided that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it when it matures or becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

Long-Term Obligations: In government-wide financial statements and proprietary fund types in the fund 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 type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, if material. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types 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.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund.

Leases: The City is a lessor for a lease of a tower license. 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 its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

(Continued)

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Fund Balance Flow Assumptions: Sometimes the City 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 City's policy to consider restricted fund balance to have been 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 purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies: Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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 a gap between estimated revenue and appropriations in the subsequent year's appropriated 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. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The City strives to maintain an unassigned fund balance equivalent to 25 percent of budgeted expenditures, based on current year expenditures. The purpose of the unassigned fund balance is to alleviate significant unanticipated budget shortfalls and to ensure the orderly provisions of services to

(Continued)

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

citizens. Should unassigned fund balance fall below the goal or have a deficiency, the City will seek to adjust budget resources in the subsequent fiscal years to restore the balance.

The City approved an ordinance to establish a stabilization fund to supplement the budget and to compensate for the potential loss of revenue caused by the future construction on State Highway (SH) 146. The stabilization fund will be used to afford the City one budget year to assess the impact of SH 146 expansion and construction, allowing the City to adjust services, personnel, and operations to cover any operating deficit due to business and/or property losses. It is the City's policy that City Council may commit fund balance for this purpose since this potential revenue shortfall is outside the normal course of the City's operations.

Estimates: The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

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

Other Postemployment Benefits: The City participates in a defined benefit group-term life insurance plan administered by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. Benefit payments are treated as being equal to the employer's yearly contributions for retirees. Benefit payments and refunds are due and payable in accordance with the benefit terms. Information about the City's total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense is provided by TMRS from reports prepared by their consulting actuary.

Revenues and Expenditures/Expenses:

Program Revenues: Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes: Property taxes are levied during October of each year and are due upon receipt of the City's tax bill. Taxes become delinquent, with an enforceable lien on property, on February 1 of the following year.

Proprietary Funds Operating and Nonoperating Revenues and Expenses: Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses

(Continued)

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 enterprise and internal service funds are charges to customers for sales and services. The enterprise fund 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 the enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles except the capital projects fund, which adopts a project length budget. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the charter in the approved budget is the department level. The City Manager may transfer appropriations within a department without seeking the approval of City Council. Appropriations lapse at the end of the year, excluding capital project budgets. Supplemental budget appropriations were made for the year ended September 30, 2024. All special revenue funds have adopted budgets.

Expenditures in Excess of Appropriations: For the year ended September 30, 2024, expenditures exceeded appropriations at the legal level of control as follows:

Crime Control Prevention District	\$276,634
-----------------------------------	-----------

NOTE 3 - DETAILED NOTES ON ALL FUNDS

Deposits and Investments: As of September 30, 2024, the City and SEDC had the following cash equivalents:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>
TexPool	<u>\$ 50,090,088</u>	0.08
Portfolio weighted average maturity		0.08

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

Credit risk. The City's investment policy limits investments in public fund investment pools rated as to investment quality not less than "AAA" or "AAAm," or an equivalent rating by at least one nationally recognized rating service. Investments in SEC-registered and regulated money market mutual funds must have an investment quality not less than "AAA-," or an equivalent rating by at least one nationally recognized rating service. As of September 30, 2024, the City's investments in investment pools were rated "AAA" or "AAAm" by Standard & Poor's.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires funds on deposit at the

(Continued)

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

depository bank to be collateralized by securities. As of September 30, 2024, fair market values of pledged securities and FDIC coverage exceeded bank balances.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

TexPool - TexPool was established as a trust company with the Treasurer of the State as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over 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 of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rates TexPool ('AAAm'). As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, TexPool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. TexPool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than five percent of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexPool's liquidity.

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the general fund, debt service fund, the nonmajor governmental funds in the aggregate, and the component unit, including the applicable allowances for uncollectible accounts.

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Component Unit</u>
Property taxes	441,472	\$ 155,846	\$ -	\$ -
Sales taxes	395,321	-	177,819	188,144
Ambulance fees	529,016	-	-	-
Franchise fees	38,951	-	6,187	-
Other taxes	-	-	201,926	-
Other receivables	72,288	-	8,952	-
Less allowance	<u>(522,724)</u>	<u>(66,235)</u>	<u>-</u>	<u>-</u>
Total	<u>954,324</u>	<u>\$ 89,611</u>	<u>\$ 394,884</u>	<u>\$ 188,144</u>

(Continued)

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of unavailable revenue reported in the governmental funds were as follows:

	<u>Unavailable Revenue</u>
Delinquent property taxes receivable - general fund	\$ 262,609
Delinquent property taxes receivable - debt service fund	89,611
Delinquent emergency medical services receivable	<u>229,039</u>
Total	<u><u>\$ 581,259</u></u>

Leases Receivable: The City has entered into a lease agreement related to the lease of certain areas of the Crown Castle tower license agreement. The lease spans 12 years, and the City will receive yearly payments of \$29,470 plus interest for the leases. The City recognized \$29,470 in lease revenue during the current fiscal year related to these leases. As of September 30, 2024, the City's receivable for lease payments was \$259,714. Also, the City has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease term. September 30, 2024, the balance of the deferred inflow of resources was \$265,234.

The remaining principal and interest payments from the lease and amortization of the deferred inflows are as follows:

Fiscal Year Ended <u>September 30,</u>	<u>Lease Receipts</u>			Amortization of Deferred <u>Inflows</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2025	\$ 23,106	\$ 10,101	\$ 33,207	\$ 29,470
2026	24,929	9,274	34,203	29,470
2027	26,848	8,381	35,229	29,470
2028	28,866	7,420	36,286	29,470
2029	30,988	6,387	37,375	29,470
2030-2033	<u>124,977</u>	<u>13,635</u>	<u>138,612</u>	<u>117,884</u>
	<u><u>\$ 259,714</u></u>	<u><u>\$ 55,198</u></u>	<u><u>\$ 314,912</u></u>	<u><u>\$ 265,234</u></u>

(Continued)

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

A summary of changes in capital assets for business-type activities for the year end is as follows:

	Beginning Balance	Increase/ Reclassifications	(Decreases)/ Reclassifications	Ending Balance
<u>Governmental activities</u>				
Capital assets not being depreciated/ amortized				
Land	\$ 14,848,184	\$ -	\$ -	\$ 14,848,184
Construction in progress	210,084	225,366	(26,604)	408,846
Total capital assets not being depreciated/amortized	15,058,268	225,366	(26,604)	15,257,030
Other capital assets				
Infrastructure	28,718,566	6,105	-	28,724,671
Buildings and improvements	19,620,960	61,000	(7,520)	19,674,440
Machinery and equipment	11,474,651	1,598,314	(359,313)	12,713,652
Right-to-use asset	-	346,387	-	346,387
Total other capital assets	59,814,177	2,011,806	(366,833)	61,459,150
Less accumulated depreciation/ amortization for				
Infrastructure	(13,998,031)	(550,456)	-	(14,548,487)
Buildings and improvements	(7,802,686)	(504,321)	7,520	(8,299,487)
Machinery and equipment	(8,734,200)	(572,613)	306,279	(9,000,534)
Right-to-use asset	-	(69,277)	-	(69,277)
Total accumulated depreciation/ amortization	(30,534,917)	(1,696,667)	313,799	(31,917,785)
Other capital assets, net	29,279,260	315,139	(53,034)	29,541,365
Governmental activities capital assets, net	\$ 44,337,528	\$ 540,505	\$ (79,638)	\$ 44,798,395
				66,307
				17,336,547
				(28,421,465)
				\$ 33,779,784

(Continued)

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

Depreciation was charged to governmental activities functions as follows:

General government	\$ 423,645
Public safety	520,537
Public works	<u>752,485</u>
Total governmental activities depreciation and amortization	<u>\$ 1,696,667</u>

Construction in progress and other significant commitments under related construction contracts as of September 30, 2024 were \$458,438.

A summary of changes in capital assets for business-type activities for the year end is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)/ Reclassifications</u>	<u>Ending Balance</u>
<u>Business-type activities</u>				
Capital assets not being depreciated				
Land	\$ 1,605,575	\$ -	\$ -	\$ 1,605,575
Construction in progress	<u>40,437,005</u>	<u>5,577,868</u>	<u>(591,281)</u>	<u>45,423,592</u>
Total capital assets not being depreciated	<u>42,042,580</u>	<u>5,577,868</u>	<u>(591,281)</u>	<u>47,029,167</u>
Other capital assets				
Water and sewer system	25,305,925	3,134,156	-	28,440,081
Buildings and improvements	3,424,368	-	-	3,424,368
Machinery and equipment	<u>3,829,552</u>	<u>207,492</u>	<u>(37,631)</u>	<u>3,999,413</u>
Total other capital assets	<u>32,559,845</u>	<u>3,341,648</u>	<u>(37,631)</u>	<u>35,863,862</u>
Less accumulated depreciation for				
Water and sewer system	(9,367,760)	(620,698)	-	(9,988,458)
Buildings and improvements	(2,346,227)	(74,990)	-	(2,421,217)
Machinery and equipment	<u>(2,553,756)</u>	<u>(201,112)</u>	<u>37,631</u>	<u>(2,717,237)</u>
Total accumulated depreciation	<u>(14,267,743)</u>	<u>(896,800)</u>	<u>37,631</u>	<u>(15,126,912)</u>
Other capital assets, net	<u>18,292,102</u>	<u>2,444,848</u>	<u>-</u>	<u>20,736,950</u>
Business-type activities capital assets, net	<u>\$ 60,334,682</u>	<u>\$ 8,022,716</u>	<u>\$ (591,281)</u>	<u>\$ 67,766,117</u>
Plus deferred loss on refunding				4,169
Plus unspent bond proceeds				104,131
Less associated debt				<u>(17,980,253)</u>
Net investment in capital assets				<u>\$ 49,894,164</u>

(Continued)

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

Depreciation was charged to business-type functions as follows:

Water and sewer	\$ 896,800
Total business-type activities depreciation expense	<u>\$ 896,800</u>

Construction in progress and remaining commitments under related construction contracts for proprietary fund projects as of September 30, 2024 were \$1,439,189.

Long-Term Debt: The following is a summary of changes in the City's total long-term liabilities for the year end. In general, the City uses the general and debt service funds to liquidate governmental long-term liabilities.

	Beginning Balances	Additions	(Reductions)	Ending Balances	Amounts Due Within One Year
<u>Governmental activities</u>					
Direct borrowings/placements:					
General obligation bonds	\$ 5,300,000	\$ -	\$ (1,250,000)	\$ 4,050,000	\$ 1,285,000
Certificates of obligation	275,000	-	(70,000)	205,000	70,000
Bonds, notes, and other payables:					
Certificates of obligation	2,634,657	9,715,000	(13,217)	12,336,440	136,749
General obligation bonds	6,335,000	4,150,000	(275,000)	10,210,000	365,000
Deferred amounts:					
For issuance discounts/premiums	555,806	931,736	(75,347)	1,412,195	-
	<u>15,100,463</u>	<u>14,796,736</u>	<u>(1,683,564)</u>	<u>28,213,635</u>	<u>* 1,856,749</u>
Other liabilities					
Net pension liability (asset)	6,296,350	-	(2,129,295)	4,167,055	-
Total OPEB liability	304,796	27,808	-	332,604	7,528
Leases	-	346,387	(138,557)	207,830	* 51,634
Compensated absences	1,245,697	437,113	(364,508)	1,318,302	374,336
Total governmental activities	<u>\$ 22,947,306</u>	<u>\$ 15,608,044</u>	<u>\$ (4,315,924)</u>	<u>\$ 34,239,426</u>	<u>\$ 2,290,247</u>
Long-term debt due in more than one year				<u>\$ 31,949,179</u>	
*Debt associated with capital assets				<u>\$ 28,421,465</u>	

(Continued)

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>Business-type activities</u>					
Direct borrowings/placements:					
Note - State loan	\$ 3,248,234	\$ -	\$ (172,735)	\$ 3,075,499	\$ 178,176
Revenue bonds	1,260,000	-	(214,000)	1,046,000	225,000
General obligation bonds	300,000	-	(150,000)	150,000	150,000
Certificates of obligation	1,430,000	-	(165,000)	1,265,000	170,000
Bonds, notes, and other payables:					
Certificates of obligation	11,225,343	-	(226,783)	10,998,560	228,251
Deferred amounts:					
For issuance discounts/premiums	1,539,160	-	(93,966)	1,445,194	-
	<u>19,002,737</u>	<u>-</u>	<u>(1,022,484)</u>	<u>17,980,253</u>	<u>951,427</u>
Other liabilities					
Net pension liability (asset)	1,011,631	-	(273,164)	738,467	-
Compensated absences	<u>78,698</u>	<u>69,870</u>	<u>(55,100)</u>	<u>93,468</u>	<u>42,166</u>
Total governmental activities	<u>\$ 20,093,066</u>	<u>\$ 69,870</u>	<u>\$ (1,350,748)</u>	<u>\$ 18,812,188</u>	<u>\$ 993,593</u>
Long-term debt due in more than one year				<u>\$ 17,818,595</u>	
*Debt associated with capital assets				<u>\$ 17,980,253</u>	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. The governmental activities compensated absences, net pension liability, and total OPEB liability are generally liquidated by the general fund. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

The City's long-term debt includes all outstanding bonded debt secured by the full faith and credit of the City. The bonds are certificates of obligation and general obligation bonds that are secured by the full faith and credit of the City and are paid from taxes levied on all taxable property located within the City.

(Continued)

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

The following is a summary of the terms of general obligation bonds, certificates of obligation, revenue bonds, and lease and subscription liabilities outstanding as of September 30, 2024:

<u>Description</u>	<u>Interest Rate</u>	<u>Balance</u>
<u>Governmental Activities</u>		
General obligation bonds		
Series 2003	4.40%	\$ 385,000
Series 2013 refunding	1.86%	505,000
Series 2015	2.00-3.25%	6,060,000
Series 2017 refunding	1.96%	3,160,000
Series 2024	4.25 5.00%	4,150,000
Total general obligation bonds		<u>14,260,000</u>
Certificates of obligation		
Series 2010	3.64%	205,000
Series 2020	2.00-4.00%	2,621,440
Series 2024	4.00-5.00%	9,715,000
Total certificates of obligation		<u>12,541,440</u>
Lease		
Police body cameras	5.00%	207,830
Total governmental activities long-term debt		<u>\$ 27,009,270</u>
<u>Business-Type Activities</u>		
General obligation bonds		
Series 2013 refunding	1.86%	\$ 150,000
Total general obligation bonds		<u>150,000</u>
Certificates of obligation		
Series 2016	2.13%	1,265,000
Series 2016A	2.00%	4,695,000
Series 2020	2.00-4.00%	6,303,560
Total certificates of obligation		<u>12,263,560</u>
Revenue bonds		
Series 2003 refunding	4.45%	155,000
Series 2008	4.12%	891,000
Total revenue bonds		<u>1,046,000</u>
State loan		
State Infrastructure Bank Loan 2018	3.15%	3,075,499
Total state loan		<u>3,075,499</u>
Total business-type activities long-term debt		<u>\$ 16,535,059</u>

(Continued)

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

Annual debt service requirements to retire outstanding obligations and direct borrowings are as follows:

Fiscal Year Ended September 30,	Governmental Activities		Governmental Activities		Business-Type Activities		Business-Type Activities	
	Direct Borrowings/Placement		Governmental Activities		Direct Borrowings/Placement		Business-Type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 1,355,000	\$ 95,735	\$ 501,749	\$ 942,632	\$ 723,176	\$ 167,413	\$ 228,251	\$ 436,106
2026	1,435,000	59,111	478,217	923,596	760,788	145,520	236,783	429,541
2027	1,465,000	29,807	498,217	905,082	783,578	119,350	246,783	420,705
2028	-	-	1,111,826	885,667	375,549	92,294	638,174	411,470
2029	-	-	1,154,168	845,495	386,709	82,203	660,832	385,943
2030-2034	-	-	6,435,986	3,546,252	1,487,952	262,009	3,719,014	1,511,653
2035-2039	-	-	3,876,862	2,465,832	1,018,747	65,425	4,028,138	742,568
2040-2044	-	-	3,884,415	1,515,327	-	-	1,240,585	64,423
2045-2049	-	-	4,605,000	577,000	-	-	-	-
	<u>\$ 4,255,000</u>	<u>\$ 184,653</u>	<u>\$ 22,546,440</u>	<u>\$ 12,606,883</u>	<u>\$ 5,536,499</u>	<u>\$ 934,214</u>	<u>\$ 10,998,560</u>	<u>\$ 4,402,409</u>

In April 2024, the City issued General Obligation Bonds, Series 2024 in the amount of \$4,150,000. The bond will be used for renovating, expanding, developing and equipping the Seabrook Fire Station; this includes additions for emergency medical services, emergency management services, an emergency center, and all matters incident or necessary thereto. The bond will mature during fiscal year 2044 and have an interest rate ranging from 4% to 5%.

In April 2024, the City issued Certificates of Obligation, Series 2024 in the amount of \$9,715,000. The certificates will be used for the design, engineering, acquisition and construction of certain public works and the purchase of equipment for authorized needs and purposes. The certificates will mature during fiscal year 2044 and have an interest rate ranging from 4% to 5%.

Leases Payable: The City has entered into lease agreements as lessee for the use of police body cameras. As of September 30, 2024, the value of the lease liability was \$207,830. The City is required to make monthly payments of \$52,500. The interest rate is based on the incremental borrowing rate of 5%. In addition, the City's right to- use lease asset will be amortized using a straight-line basis over the remaining term of the leases. The value of the right-to-use assets as of the end of the current fiscal year was \$346,387 and had accumulated amortization of \$69,277. The future principal and interest payments as of September 30, 2024 for governmental activities were as follows:

Fiscal Year Ended September 30,	Governmental Activities	
	Lease	
	Principal	Interest
2025	\$ 51,634	\$ 866
2026	51,849	651
2027	52,065	435
2028	52,282	218
	<u>\$ 207,830</u>	<u>\$ 2,170</u>

(Continued)

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

Federal Arbitrage: The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or are not performed correctly, a substantial liability to the City could result. The City periodically engages an arbitrage consultant to perform the calculations in accordance with the rules and regulations of the IRS.

Interfund Transactions: The interfund balances as of year end were as follows.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>
General	Debt service	\$ 6,081
Internal service	General	<u>56,700</u>
		<u>\$ 62,781</u>

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year.

Transfers between the primary government funds during the year were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amounts</u>
Capital projects	General	\$ 331,578
Internal service	Nonmajor governmental	272,344
General	Internal service	11,100
Utility	Internal service	86,014
General	Utility	<u>2,383,642</u>
		<u>\$ 3,084,678</u>

Transfers from the general fund to the capital project fund were subsidies for construction in progress expenditures. Other transfers between funds are utilized to move unrestricted fund revenues to finance various programs that must be accounted for in other funds in accordance with budgetary authorizations, including amounts provided as matching funds for grant programs and governmental expenditures.

Restricted Assets: The utility enterprise fund has restricted certain cash and investments for customer deposits and construction.

NOTE 4 - OTHER INFORMATION

Risk Management: The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City participates along with 2,617 other entities in the Texas Municipal League's (TML) Intergovernmental Risk Pools (the "Pool"). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

The City also provides workers' compensation insurance through the TML Workers' Compensation Fund (the "Fund"). Workers' compensation premiums are subject to change when audited by the Fund. At September 30, 2024, the City believed the amounts paid on workers' compensation would not change significantly from the amounts recorded.

Contingent Liabilities: Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including

amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures that may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities 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 claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

Pension Plans:

Texas Municipal Retirement System

Plan Description: The City participates as one of 934 plans in the defined benefit cash-balance plan administered by TMRS. TMRS is a statewide public retirement plan created by the State and administered in accordance with the Texas Government Code, Title 8, Subtitle G (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 (the "Board"); however, TMRS is not fiscally dependent on the State. TMRS issues a publicly available annual comprehensive financial 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, and their age at retirement and other actuarial factors. The retiring member may select one of seven monthly 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.

(Continued)

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 4 - OTHER INFORMATION (Continued)

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	2024	2023
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/25	60/5, 0/25
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	30% of CPI	30% of CPI

Employees Covered by Benefit Terms: At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	91
Inactive employees entitled to, but not yet receiving, benefits	62
Active employees	114
 Total	 267

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 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% percent of their annual gross earnings during the fiscal year. The contribution rates for the City were 16.11% and 16.37% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2024 were \$1,419,877, which are equal to the required contributions.

Net Pension Liability: The City's Net Pension Liability (NPL) was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The TPL in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are

(Continued)

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 4 - OTHER INFORMATION (Continued)

based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4- year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023, actuarial valuation.

The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return n 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 investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage.

The target allocation and best estimates of real rates of return for each major asset class 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 public equity	35%	6.7%
Core fixed income	6%	4.7%
Non-core fixed income	20%	8.0%
Other public and private markets	12%	8.0%
Real estate	12%	7.6%
Hedge funds	5%	6.4%
Private equity	<u>10%</u>	11.6%
Total	<u>100%</u>	

Discount Rate: The discount rate used to measure the TPL 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, TMRS's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

(Continued)

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 4 - OTHER INFORMATION (Continued)

Changes in the NPL:

	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Changes for the year:			
Service cost	\$ 1,472,641	\$ -	\$ 1,472,641
Interest	3,097,577	-	3,097,577
Difference between expected and actual experience	(336,387)	-	(336,387)
Changes in assumptions	(165,681)	-	(165,681)
Contributions - employer	-	1,386,571	(1,386,571)
Contributions - employee	-	603,383	(603,383)
Net investment income	-	4,509,563	(4,509,563)
Benefit payments, including refunds of employee contributions	(2,285,418)	(2,285,418)	-
Administrative expense	-	(28,707)	28,707
Other changes	-	(201)	201
Net Changes	1,782,732	4,185,191	(2,402,459)
Balance at December 31, 2022	46,296,414	38,988,433	7,307,981
Balance at December 31, 2023	<u>\$ 48,079,146</u>	<u>\$ 43,173,624</u>	<u>\$ 4,905,522</u>

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

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability/(asset)	<u>\$ 11,049,340</u>	<u>\$ 4,905,522</u>	<u>\$ (209,789)</u>

Pension Plan Fiduciary Net Position: Detailed information about TMRS's fiduciary net position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at www.tmr.com.

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions: For the fiscal year ended September 30, 2024, the City recognized pension expense of \$1,170,801.

(Continued)

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 4 - OTHER INFORMATION (Continued)

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience	\$ 295,274	\$ 274,955
Changes in assumptions	-	126,789
Net difference between projected and actual investment earnings	1,055,665	-
Contributions subsequent to the measurement date	<u>1,094,413</u>	<u>-</u>
Total	<u>\$ 2,445,352</u>	<u>\$ 401,744</u>

\$1,094,413 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the NPL for the fiscal year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year ended September 30,</u>	<u>Pension Expense</u>
2025	\$ 313,626
2026	341,336
2027	700,433
2028	<u>(406,200)</u>
Total	<u>\$ 949,195</u>

Other Postemployment Benefits:

TMRS - Supplemental Death Benefits

Plan Description: The City participates in an OPEB plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The member city contributes to the SDBF at a contractually required rate (based on the covered payroll of employee members) as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

(Continued)

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 4 - OTHER INFORMATION (Continued)

The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The SDBF's funding policy assures that adequate resources are available to meet all death benefit payments for the upcoming year. The SDBF is a pay-as-you-go fund, and any excess contributions are available for future SDBF benefits.

Benefits: The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

Participation in the SDBF as of December 31, 2023 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	61
Inactive employees entitled to, but not yet receiving, benefits	10
Active employees	<u>114</u>
 Total	 <u><u>185</u></u>

Total OPEB Liability: The City's total OPEB liability of \$332,604 was measured as of December 31, 2023 and was determined by an actuarial valuation as of that date.

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

Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Discount rate*	3.77%*
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements of GASB Statement No. 68.
Mortality rates-service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates-disabled retirees	2019 Municipal Retirees of Texas Mortality Tables 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 will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

* The discount rate is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

(Continued)

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 4 - OTHER INFORMATION (Continued)

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

Changes in the Total OPEB Liability:

	Total OPEB <u>Liability</u>
Changes for the year:	
Service cost	\$ 11,189
Interest	12,256
Difference between expected and actual experience	607
Changes of assumptions	15,826
Benefit payments*	<u>(8,607)</u>
Net changes	31,271
Balance at September 30, 2022	<u>301,333</u>
Balance at September 30, 2023	<u><u>\$ 332,604</u></u>

* Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the City's yearly contributions for retirees.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount <u>Rate (2.77%)</u>	Discount <u>Rate (3.77%)</u>	1% Increase in Discount <u>Rate (4.77%)</u>
City's total OPEB liability	<u>\$ 396,903</u>	<u>\$ 332,604</u>	<u>\$ 282,062</u>

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB: At September 30, 2024, the City recognized OPEB expense of \$17,707. The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Changes in actuarial assumptions	\$ 54,548	\$ 106,920
Differences between expected and actual economic experience	695	5,673
Contributions subsequent to the measurement date	<u>6,685</u>	<u>-</u>
Total	<u><u>\$ 61,928</u></u>	<u><u>\$ 112,593</u></u>

(Continued)

CITY OF SEABROOK, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2024

NOTE 4 - OTHER INFORMATION (Continued)

\$6,685 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 total OPEB liability for the fiscal year ending September 30, 2025.

Amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year ended September 30.</u>	<u>OPEB Expense</u>
2025	\$ (5,500)
2026	(9,442)
2027	(14,727)
2028	(20,860)
2029	(7,088)
Thereafter	<u>267</u>
Total	<u>\$ (57,350)</u>

Tax Abatements and Economic Incentives:

The City and the SEDC have authority under Texas Local Government Code, Chapters 380 and 505, to adopt programs that promote local economic development, spur economic improvement, stimulate commercial activity, generate additional sales tax, and enhance the property tax base of the City. These programs may abate or rebate property taxes and sales taxes that are paid by the recipient. The programs may also include incentive payments or reductions in fees that are not tied to taxes. Recipients may be eligible to receive economic assistance based on the employment impact, economic impact, or community impact of the project requesting assistance. Recipients receiving assistance generally commit to building or remodeling real property and related infrastructure, demolishing and redeveloping outdated properties, expanding operations, renewing facility leases, or bringing targeted businesses into the City. Agreements generally contain recapture provisions which mandate repayment or termination if recipients do not meet the required provisions of the economic incentives.

Programs may rebate a flat amount or percentage of property taxes or sales taxes that are received by the City or the SEDC. They may result in fee reductions such as utility charges or building inspection fees. Some agreements may take the form of one-time incentive payments to offset moving expenses, tenant finish-outs, demolition costs, infrastructure, or other expenses. As of fiscal year 2024, the SEDC has granted the following incentive agreements:

The SEDC agreed to rebate the amount of SEDC sales tax paid by Merloaded, LLC relating to a restaurant in an amount not to exceed \$40,000, or for a period of up to ten years, whichever occurs first. During fiscal year 2024, the SEDC rebated \$6,309 in sales taxes paid by Merloaded, LLC.

The SEDC agreed to rebate the amount of SEDC sales tax paid by Mario's Pizza relating to a restaurant in an amount not to exceed \$74,813, for a period of up to ten years after Mario's Pizza completes relocation. During fiscal year 2024, the SEDC rebated \$4,615 in sales taxes paid by Mario's Pizza.

APPENDIX C
FORM OF BOND COUNSEL OPINION



Orrick, Herrington & Sutcliffe LLP
609 Main Street
40th Floor
Houston, Texas 77002
orrick.com

December __, 2025

We have acted as Bond Counsel to the City of Seabrook, Texas (the “City”), in connection with an issue of its City of Seabrook, Texas General Obligation Bonds, Series 2025 (the “Bonds”), dated December 1, 2025, in the aggregate principal amount of \$_____. The Bonds are issuable in fully registered form only, in denominations of \$5,000 or integral multiples thereof, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the ordinance (the “Bond Ordinance”) adopted by the City Council of the City authorizing their issuance.

In such connection, we have reviewed the Bond Ordinance, the tax certificate of the City dated the date hereof (the “Tax Certificate”), certificates of the City, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Bond Ordinance and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Bond Ordinance and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against entities such as the City in the State of Texas.

We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or to have the effect of a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion or view with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

- (1) The Bonds constitute the valid and binding obligations of the City;
- (2) The Bonds are payable from, and secured by, the proceeds of an annual ad valorem tax levied, within the limits prescribed by law, upon all taxable property located within the City, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds; and
- (3) Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds.

ORRICK, HERRINGTON & SUTCLIFFE LLP