HTSContinuingDisclosureServices
A Division of Hilltop Securities.
(See "CONTINUING DISCLOSURE OF INFORMATION" herein)

PRELIMINARY OFFICIAL STATEMENT

Dated June 9, 2025

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

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, under existing law, interest on the Certificates (i) is excludable from gross income for federal income tax purposes under section 103 of Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. See "TAX MATTERS" herein, including information regarding potential alternative minimum tax consequences for corporations.

$29,720,000*
CITY OF TOMBALL, TEXAS
(Harris County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

Dated Date: July 1, 2025 **Due: February 15, as shown on page 2**
Interest Accrual Date: Date of Delivery (defined below)

Interest on the $29,720,000* City of Tomball, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "Certificates") will accrue from the Date of Delivery and will be payable February 15 and August 15 of each year commencing February 15, 2026 and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by The Bank of New York Mellon Trust Company, N.A., the initial paying agent/registrar for the Bonds (the "Paying Agent/Registrar") to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES – BOOK-ENTRY-ONLY SYSTEM" and "THE CERTIFICATES – PAYING AGENT/REGISTRAR").

The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and constitute direct obligations of the City of Tomball, Texas (the "City"), payable from a combination of (i) a direct and continuing annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of a subordinate lien on the net revenues of the City's water and sewer system in an amount not to exceed $1,000, as provided in the ordinance authorizing the Certificates (the "Ordinance") (see "THE CERTIFICATES – AUTHORITY FOR ISSUANCE").

Proceeds from the sale of the Certificates will be used for the purpose of (i) the design, construction, and equipment of improvements to the City's water and sewer system, including the south wastewater treatment plant and the east water plant; and (ii) the cost of professional services incurred in connection therewith.

See Maturity Schedule on Page 2

The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2035, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption see "THE CERTIFICATES – OPTIONAL REDEMPTION". In addition to being subject to optional redemption, if in connection with the pricing of the Certificates two or more consecutive serial maturities set forth in the Maturity Schedule on page 2 hereof are combined to create one or more term Certificates (the "Term Certificates"), each such Term Certificate shall be subject to mandatory sinking fund redemption as provided herein (see "THE CERTIFICATES - MANDATORY SINKING FUND REDEMPTION").

The Certificates are offered for delivery when, as and if issued and received by the initial purchaser (the "Initial Purchaser") and subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell LLP, Houston, Texas, Bond Counsel (see "APPENDIX C – FORM OF BOND COUNSEL'S OPINION"). It is expected that the Certificates will be available for delivery through DTC on or about July 15, 2025 (the "Date of Delivery").

BIDS DUE ON THE CERTIFICATES MONDAY, JUNE 16, 2025, AT 10:45 A.M., CDT

* Preliminary, subject to change.

MATURITY SCHEDULE **CUSIP Prefix[(2)]: 889852**

$29,720,000*
CITY OF TOMBALL, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES
OF OBLIGATION, SERIES 2025

Principal Amount*	Maturity 2/15	Interest Rate	Yield (1)	CUSIP Suffix (2)	Principal Amount*	Maturity 2/15	Interest Rate	Yield (1)	CUSIP Suffix (2)
$ 315,000	2026				$ 925,000	2041 (3)			
460,000	2027				975,000	2042 (3)			
485,000	2028				1,030,000	2043 (3)			
510,000	2029				1,085,000	2044 (3)			
535,000	2030				1,145,000	2045 (3)			
560,000	2031				1,205,000	2046 (3)			
590,000	2032				1,265,000	2047 (3)			
620,000	2033				1,325,000	2048 (3)			
655,000	2034				1,395,000	2049 (3)			
685,000	2035 (3)				1,460,000	2050 (3)			
720,000	2036 (3)				1,535,000	2051 (3)			
760,000	2037 (3)				1,615,000	2052 (3)			
795,000	2038 (3)				1,695,000	2053 (3)			
840,000	2039 (3)				1,780,000	2054 (3)			
880,000	2040 (3)				1,875,000	2055 (3)			

(Interest accrues from the Delivery Date)

(1) The initial reoffering prices or yields of the Certificates are furnished by the Initial Purchaser (as defined herein) and represent the initial offering prices or yields to the public, which may be changed by the Initial Purchaser at any time.
(2) CUSIP numbers are included solely for the convenience of the owners of the Certificates. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet research Systems Inc. on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services. None of the Initial Purchaser, the City, or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.
(3) The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2035, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES – OPTIONAL REDEMPTION"). In addition to being subject to optional redemption, if two or more consecutive maturities are combined to create one or more term Certificates (the "Term Certificates"), such Term Certificates shall be subject to mandatory sinking fund redemption as provided herein (see "THE CERTIFICATES – MANDATORY SINKING FUND REDEMPTION").

* Preliminary, subject to change.

USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

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

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

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

Neither the City, Bond Counsel, nor the Financial Advisor make any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company, New York, New York ("DTC") or its book-entry-only system as described under "Book-Entry-Only System" as such information has been provided by DTC.

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

THE CERTIFICATES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACT. THE REGISTRATION OR QUALIFICATION OF THE CERTIFICATES IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAW OF THE STATES IN WHICH THE CERTIFICATES 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.

The prices and other terms respecting the offering and sale of the Certificates may be changed from time to time by the Initial Purchaser after such Certificates are released for sale, and the Certificates may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Certificates into investment accounts.

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

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 hyperlinks contained therein are not incorporated into, and are not part of, this official statement for any purpose.

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OFFICIAL STATEMENT SUMMARY

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

THE CITY .... The City of Tomball, Texas (the "City") is a municipal corporation and home rule city of the State of Texas (the "State"), located primarily in Harris County, Texas. The City covers approximately 13.05 square miles (see "INTRODUCTION – DESCRIPTION OF CITY").

THE CERTIFICATES .... The $29,720,000* City of Tomball, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "Certificates") are issued as serial Certificates maturing February 15, 2026, through February 15, 2055, inclusive, unless the Initial Purchaser designates two or more consecutive maturities as a Term Certificate (see "THE CERTIFICATES – DESCRIPTION OF THE CERTIFICATES").

PAYMENT OF INTEREST ...... Interest on the Certificates accrues from the date of delivery and is payable on February 15 and August 15 of each year commencing on February 15, 2026, until maturity or prior redemption (see "THE CERTIFICATES – DESCRIPTION OF THE CERTIFICATES").

AUTHORITY FOR ISSUANCE OF THE CERTIFICATES ...... The Certificates are issued pursuant to the constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an Ordinance to be passed by the City Council of the City authorizing the issuance of the Certificates (the "Ordinance") (see "THE CERTIFICATES – AUTHORITY FOR ISSUANCE").

SECURITY FOR THE CERTIFICATES .... The Certificates constitute direct obligations of the City, payable from a combination of (i) a direct and continuing annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of a subordinate lien on the net revenues of the City's water and sewer system in an amount not to exceed $1,000, as provided in the Ordinance (see "THE CERTIFICATES – SECURITY AND SOURCE OF PAYMENT").

REDEMPTION .... The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2035, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES – OPTIONAL REDEMPTION"). Additionally, the Certificates may be subject to mandatory redemption in the event the Initial Purchaser elects to aggregate two or more consecutive maturities term Certificates (the "Term Certificates") (see "THE CERTIFICATES – MANDATORY SINKING FUND REDEMPTION").

TAX EXEMPTION .... In the opinion of Bond Counsel, under existing law, interest on the Certificates (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. See "TAX MATTERS" herein, including information regarding potential alternative minimum tax consequences for corporations.

USE OF PROCEEDS OF THE CERTIFICATES ...... Proceeds from the sale of the Certificates will be used for (i) the design, construction, and equipment of improvements to the City's water and sewer system, including the south wastewater treatment plant and the east water plant; and (ii) the cost of professional services incurred in connection therewith. (see "PLAN OF FINANCING – SOURCES AND USES OF CERTIFICATE PROCEEDS").

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

BOOK-ENTRY-ONLY SYSTEM .... The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the paying agent/registrar, initially The Bank of New York Mellon Trust Company, to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES – BOOK-ENTRY-ONLY SYSTEM.")

PAYMENT RECORD .... The City has never defaulted in payment of its general obligation tax debt.

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* Preliminary, subject to change.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population[(1)]	Taxable Assessed Valuation [(2)]	Per Capita Taxable Assessed Valuation	G.O. Tax Debt Outstanding at End of Year [(3)]	Per Capita G.O. Tax Debt	Ratio Tax Debt to Taxable Assessed Valuation	Total Tax Collections as a Percent of Total Levy
2021	12,053	$ 2,200,298,671	$ 182,552	$ 31,325,000	$ 2,599	1.42%	99.7%
2022	12,341	2,313,210,887	187,441	47,450,000	3,845	2.05%	99.6%
2023	12,810	2,662,503,339	207,846	41,930,000	3,273	1.57%	98.5%
2024	13,500	3,324,565,436	246,264	70,300,000	5,207	2.11%	98.1%
2025	15,152	3,682,987,083	243,069	94,050,000 [(4)]	6,207 [(4)]	2.55%[(4)]	94.7%[(5)]

(1) As reported by the City Staff.
(2) Certified values from the Harris Central Appraisal District. Subject to change throughout the year.
(3) Includes Self-Supporting Debt. See "TABLE 10 – COMPUTATION OF SELF-SUPPORTING DEBT".
(4) Includes the Certificates. Preliminary, subject to change.
(5) Total collections as of March 31, 2025 reflecting a refund of approximately $76,608 of 2023 taxes, $746 of 2021 taxes and $1,113 of 2020 taxes.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	For Fiscal Year Ended September 30,				
	2024	2023	2022	2021	2020
Total Revenue	$34,338,277	$30,827,322	$28,198,312	$24,188,007	$20,717,944
Total Expenditures	33,330,939	28,067,519	24,557,786	22,466,697	21,260,740
Other Sources (Uses)	798,204	1,114,133	1,529,895	2,346,110	2,043,394
Beginning Fund Balance	30,501,242	26,627,306	21,456,885	17,389,465	15,888,867
Increase (Decrease) in Fund Balance	1,805,542	3,873,936	5,170,421	4,067,420	1,500,598
Ending Fund Balance	$ 32,306,784	$ 30,501,242	$ 26,627,306	$ 21,456,885	$ 17,389,465

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Position	Term Expires
Lori Klein Quinn	Mayor	2028
Randy Parr	Mayor Pro Tem/Council Position 5	2026
Dane Dunagin	Council Position 3	2028
John F. Ford	Council Position 1	2026
Paul Garcia	Council Position 2	2027
Lisa Covington	Council Position 4	2027

SELECTED ADMINISTRATIVE STAFF

Name	Position	Number of Years in Current Position	Length of Service to City
David Esquivel	City Manager	4 Years	10 Years
Jessica Rogers	Assistant City Manager	3.5 Years	3.5 Years
Thomas Harris III	City Secretary	1 Month	1 Month
Shannon Bennett	Assistant City Secretary	4 Months	4 Months
Bragg Farmer	Finance Director	7 Months	7 Months

CONSULTANTS AND ADVISORS

Auditor.. Weaver and Tidwell, L.L.P.
CPAs and Advisors
Houston, Texas

Bond Counsel .... Bracewell LLP
Houston, Texas

Financial Advisor..Hilltop Securities Inc.
Houston, Texas

For additional information regarding the City, please contact:

Mr. Bragg Farmer Finance Director City of Tomball 401 Market Street Tomball, Texas 77375 (281) 290-1417 Phone	or	Mr. Joe Morrow Managing Director Hilltop Securities Inc. 700 Milam Street, Suite 1200 Houston, Texas 77002 (713) 654-8690 Phone (713) 654-8658 Fax

PRELIMINARY OFFICIAL STATEMENT

RELATING TO

$29,720,000*
CITY OF TOMBALL, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

INTRODUCTION

This Official Statement, which includes the cover page and Appendices hereto, provides certain information regarding the issuance of $29,720,000* City of Tomball, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "Certificates"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance of the City Council of the City of Tomball, Texas (the "City") authorizing the issuance of the Certificates (the "Ordinance").

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 (see "OTHER INFORMATION - FORWARD-LOOKING STATEMENTS").

There follows in this Official Statement descriptions of the Certificates and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Hilltop Securities Inc., Houston, Texas.

DESCRIPTION OF THE CITY

The City is a municipal corporation of the state of Texas (the "State"), duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated on July 18, 1933, and first adopted its home rule charter on January 17, 1987. The City operates under a Council-City Manager form of government with a City Council comprised of the Mayor and five Councilmembers elected to serve three-year terms. The Mayor is the official head of City government. Some of the services that the City provides are: public safety (police and fire protection), streets, water and sanitary sewer utilities, municipal court, a community center and parks. The estimated population for the City in 2025 is 15,152. The City covers approximately 13.05 square miles.

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES

The Certificates are dated July 1, 2025 (the "Dated Date") and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Certificates will accrue from the date of delivery to the Initial Purchaser (the "Initial Purchaser") and will be computed on the basis of a 360-day year of twelve 30-day months. Interest on the Certificates will be payable on February 15 and August 15 of each year, commencing February 15, 2026 until maturity or prior redemption. The definitive Certificates will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar, initially The Bank of New York Mellon Trust Company, N.A., to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "-BOOK-ENTRY-ONLY SYSTEM").

AUTHORITY FOR ISSUANCE OF THE CERTIFICATES

The Certificates are issued pursuant to the constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the Ordinance.

SECURITY AND SOURCE OF PAYMENT

The Certificates constitute direct obligations of the City, payable from a combination of (i) a direct and continuing annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of a subordinate lien on the net revenues of the City's water and sewer system in an amount not to exceed $1,000, as provided in the Ordinance (see "THE CERTIFICATES – SECURITY AND SOURCE OF PAYMENT").

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* Preliminary, subject to change.

TAX RATE LIMITATION

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 Taxable Assessed Valuation for all City purposes. The home rule charter of the City adopts the constitutionally authorized maximum tax rate of $2.50 per $100 taxable assessed valuation. Administratively, the Attorney General of the State will not permit a city to issue debt in an amount that will cause the maximum annual debt service on all of the City's outstanding ad valorem tax debt to exceed an amount which at the time of issuance can apparently be supported by a debt service tax rate of $1.50 per $100 taxable assessed valuation, generally based on a 90% collection rate.

OPTIONAL REDEMPTION

The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2035, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City shall determine the maturity or maturities and the amounts thereof (or mandatory sinking fund payment with respect to Term Certificates (as defined below), if any) to be redeemed and shall direct the Paying Agent/Registrar to call by lot, or other customary method that results in random selection, the Certificates, or portions thereof, within such maturity or maturities and in such principal amounts for redemption. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION

In addition to the foregoing optional redemption provision, if the principal amounts for two or more consecutive maturities designated in the serial maturity schedules shown on page 2 hereof are combined to create term certificates (each a "Term Certificate"), each such Term Certificate shall be subject to mandatory sinking fund redemption commencing on February 15 of the first maturity that was combined to form such Term Certificate and continuing on February 15 in each year thereafter until the stated maturity date of that Term Certificate, and the amount required to be redeemed in any year shall be equal to the principal amount for such year set forth in the Maturity Schedule shown on page 2 of this Official Statement. Term Certificates to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par and shall be selected by lot or other random selection method from the Term Certificates then subject to redemption. The City, at its option, may credit against any mandatory sinking fund redemption requirement Term Certificates of the maturity then subject to redemption which at least 45 days prior to the mandatory sinking fund redemption date have (i) been acquired by the City and delivered to the Paying Agent/Registrar for cancellation or (ii) have been redeemed pursuant to the optional redemption provisions of the Ordinance and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

NOTICE OF REDEMPTION

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

The City reserves the right, in the case of an optional redemption, to give notice of its election or direction to redeem Certificates 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 Certificate subject to conditional redemption where 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.

The Paying Agent/Registrar and the City, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Certificate called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the City will reduce the outstanding principal amount of such Certificate held by DTC.

In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificate held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificate from the beneficial owners.

Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Certificates for redemption. See "THE CERTIFICATES – BOOK-ENTRY-ONLY SYSTEM."

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Certificates is to be transferred and how the principal of and interest on the Certificates are to be paid to and credited by DTC while the Certificates are registered in its nominee's 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 Financial Advisor and the City believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial 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 (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities 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 for each maturity will be issued for the Certificates, in the aggregate principal amount of 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, corporate and municipal debt issues, and money market instrument 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 an S&P Global Ratings rating of "AA+." The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

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

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

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

Redemption notices for the Certificates shall be sent to DTC. If less than all of the Certificates of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates 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 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

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

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

PAYING AGENT/REGISTRAR

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

TRANSFER, EXCHANGE AND REGISTRATION

In the event the Book-Entry Only system should be discontinued, the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owners, except for any tax or other governmental charges required to be paid with respect to such registration, exchange or transfer. Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000, for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer.

All Certificates issued in any transfer or exchange of Certificates shall be delivered to the registered owners at the principal corporate trust office of the Paying Agent/Registrar or sent by United States mail, first class, postage prepaid, to the registered owners, and, upon the registration and delivery thereof, the same shall be the valid obligations of the City, evidencing the same obligation to pay, and entitled to the same benefits under the Ordinance, as the Certificates surrendered in such transfer or exchange.

RECORD DATE FOR INTEREST PAYMENT

The record date ("Record Date") for the interest payable on the Certificates on any interest payment date means the close of business on the last business day of the preceding month.

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

DEFEASANCE

The City reserves the right to defease the Certificates in any manner now or hereafter allowed by law.

REMEDIES OF HOLDERS OF THE CERTIFICATES

The Ordinance does not provide for the appointment of a trustee to represent the interests of the holders of the Certificates upon any failure of the City to perform in accordance with the terms of the Ordinance or upon any other condition and, in the event of any such failure to perform, the registered owners would be responsible for the initiation and cost of any legal action to enforce performance of the Ordinance. Furthermore, the Ordinance does not establish specific events of default with respect to the Certificates and, under State law, there is no right to the acceleration of maturity of the Certificates upon the failure of the City to observe any covenant under the Ordinance. A registered owner of the Certificates could seek a judgment against the City if a default occurred in the payment of principal of or interest on any such Certificate; however, such judgment could not be satisfied by execution against any property of the City and a suit for monetary damages could be vulnerable to the defense of sovereign immunity. A registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the City to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Certificates as it becomes due or perform other material terms and covenants contained in the Ordinance. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis.

The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), 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, registered owners may not be able to bring such a suit against the City for breach of the Certificates or covenants in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates.

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 providing goods or services to municipalities. 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 *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in considering municipal breach of contract cases, it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the common law and statutory guidance. Issues related to the applicability of governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

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 restrict the waiver of immunity when a city performs a proprietary function. The Court remanded the case so that the appellate court could rule on whether the contract at issue was proprietary or governmental. *Wasson Interests, Ltd. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018). On remand, the appellate court found for the City of Jacksonville by holding the contract claim arose from the City's performance of a governmental function, and thus the claim was barred by immunity. After granting Wasson's petition for review of the appellate decision, the Court held that to determine if the City was engaged in a proprietary or governmental function, the focus of the inquiry is on the nature of the contract at the time of execution, not the nature of the breach at the time of the breach.

The City is also 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 taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Certificate 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 Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors, including rights afforded to creditors under the Bankruptcy Code.

USE OF CERTIFICATE PROCEEDS

Proceeds from the sale of the Certificates are expected to be expended as follows:

Sources of Funds:		
Par Amount of Certificates		$ -
Net Premium		-
	Total:	$ -
Uses of Funds:		
Deposit to Project Fund		$ -
Costs of Issuance(1)		-
Underwriter's Discount		-
	Total:	$ -

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

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AD VALOREM TAX PROCEDURES

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 (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Harris Central Appraisal District (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, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. 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. See "– ISSUER AND TAXPAYER REMEDIES"

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

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

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity ("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, whose members are appointed by the Board of Directors of the Appraisal District. Such 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 "– ISSUER AND TAXPAYER REMEDIES."

STATE MANDATED HOMESTEAD EXEMPTIONS FOR VETERANS . . . State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty. See "TABLE 1 – VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT" for the reduction in taxable valuation attributable to exemptions for veterans.

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 exemption 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.

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

PERSONAL PROPERTY . . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

FREEPORT AND GOODS-IN-TRANSIT EXEMPTIONS . . . Certain goods 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 during 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.

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, raw cocoa and green coffee held in Harris County and certain classes of intangible personal property.

TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER . . . The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the Governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the Governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Property Tax Code. Section 11.35 of the Property Tax Code provides that "damage" for the purpose of the statute is limited to physical damage.

TAX INCREMENT REINVESTMENT ZONES . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ") within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the "Incremental Value" in the TIRZ to finance or pay for public improvements or projects 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 or benefitting the TIRZ and are not available for the payment of other obligations of such taxing units.

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

For a discussion of how the various exemptions described above are applied by the City, see "– CITY APPLICATION OF TAX CODE" herein.

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 in excess of the current year "minimum eligibility amount," as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $61,349,201 for the 2025 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases. See "– 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.

PUBLIC HEARING AND MAINTENANCE AND OPERATIONS TAX RATE LIMITATIONS

The following terms as used in this section have the meanings provided below:

> "adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.
>
> "de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional $500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.
>
> "no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).
>
> "special taxing unit" means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per $100 of taxable value.
>
> "unused increment rate" means the greater of zero and the rate expressed in dollars per $100 of taxable value calculated by dividing (i) the cumulative difference of the foregone revenue amount, calculated using the difference between a city's voter-approval tax rate and its actual tax rate for each of the preceding three tax years, by (ii) the "current total value" as defined in Section 26.012 of the Property Tax Code, and which may be applied to a city's tax rate when calculating 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 Certificates. Chapter 26 of the Property Tax Code treats the ad valorem taxes levied to pay debt service on certain classes of non-voted debt approved after December 1, 2022 as part of the maintenance and operations tax rate calculations, which could result in subjecting the tax levied for debt service on such non-voted debt to the maintenance and operations tax limitations described in this subcaption. The Certificates are not subject to the limitations imposed by Chapter 26 of the Property Tax Code.

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

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 Taxable Assessed Valuation for all City purposes. The home rule charter of the City adopts the constitutionally authorized maximum tax rate of $2.50 per $100 taxable assessed valuation. Administratively, the Attorney General of the State will not permit a city to issue debt in an amount that will cause the maximum annual debt service on all of the City's outstanding ad valorem tax debt to exceed an amount which at the time of issuance can apparently be supported by a debt service tax rate of $1.50 per $100 taxable assessed valuation, generally based on a 90% collection rate.

PROPERTY ASSESSMENT AND TAX PAYMENT

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

PENALTIES AND INTEREST

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

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

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% is added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

THE CITY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES

Taxes levied by the City are a personal obligation of the owner of the property 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.

2025 LEGISLATIVE SESSION

The regular session of the 89th Texas Legislature (the "2025 Legislative Session") convened on January 14, 2025, and concluded on June 2, 2025. The Governor's veto period runs through June 22, 2025. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda.

During the 2025 Legislative Session, the Legislature adopted a general appropriations act and legislation affecting ad valorem taxation procedures and the procedures for issuing debt affecting cities among other legislation affecting cities. Adopted legislation affecting ad valorem taxation procedures includes legislation that (i) changes the procedure for the adoption of and imposes limits on the amount of an M&O tax increase that may be adopted in response to declared disasters, (ii) makes technical modifications to the tax rate setting process, and (iii) makes intangible personal property exempt from ad valorem taxation. Additional legislation affecting taxation procedures and exemptions from taxation have been sent to the Governor for signature or veto, or to become law without a signature. The City is reviewing the impact of the legislation approved during the 2025 Legislative Session and cannot make any representations regarding the impact of the legislation approved during the 2025 Legislative Session at this time.

CITY APPLICATION OF TAX CODE

The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older and to the disabled of $90,000.

The City has not granted an additional exemption of 20% of the market value of residence homesteads.

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

The City does not tax nonbusiness personal property.

The City does not permit split payments, and discounts are not allowed.

The City does tax Goods-in-Transit.

The City has not taken action to tax Freeport Property.

The City does collect the additional one-half cent sales tax for reduction of ad valorem taxes. See "TABLE 13 - MUNICIPAL SALES TAX HISTORY."

The City does participate in a TIRZ.

See "TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT" for a listing of the amounts of the exemptions described above.

TAX ABATEMENT POLICY

The City has established a tax abatement policy to encourage business development within the City. In order to be eligible for designation as a reinvestment zone and receive tax abatement, the planned improvement (i) must be reasonably expected to increase the appraised value of the property in the amount of at least five million dollars after the period of abatement has expired; (ii) must be expected to prevent the loss of employment, retain or create employment for at least 30 people on a permanent basis in the City; (iii) must not be expected to solely or primarily have the effect of transferring employment from one part of Harris County to another, and (iv) must be necessary because capacity cannot be provided efficiently utilizing existing improved property when reasonable allowance is made for necessary improvements.

Tax abatement shall be granted effective with the January 1 valuation date immediately following the date of execution of the agreement. One-hundred percent of the value of new eligible properties shall be abated for up to two (2) years during the period of construction and for five (5) years thereafter. If the period of construction exceeds two (2) years, the facility shall be considered completed for purposes of abatement and in no case shall the period of abatement inclusive of construction and completion exceed seven (7) years. If a modernization project includes facility replacement, the abated value shall be the value of the new unit less the value of the old unit.

To date, the City does not have any participants receiving this abatement.

PUBLIC IMPROVEMENT DISTRICTS

The City has created 14 public improvement districts (PIDs) in order to facilitate development in the City. The costs of public improvements within a PID may be paid from assessments on property within the PID. Ten of the PIDs created by the City use assessments to repay developers for the cost of public improvements installed by the developers over a period of years. The City has several PIDs within the boundaries of the City to support new residential development that have or are expected to issue PID assessment bonds for infrastructure associated with such developments over a period of several years. See "APPENDIX B-EXCERPTS FROM THE ANNUAL FINANCIAL REPORT – Note 14: Special Assessment Bonds." The PID bonds are not secured by City ad valorem taxes.

TOMBALL REINVESTMENT ZONE NUMBER THREE

Tomball Reinvestment Zone Number Three (“Zone Three”) was established by the City Council in Ordinance number 2021-39 in November 2021. The purpose of Zone Three is to promote development of a 240-acre tract located at State Highway 249 and Rocky Road for light industrial and retail development. The City participates at 75% of the total tax rate. For fiscal year 2024, Zone Three had a total captured appraised value of $152,166,850, with a base value of $7,843,320. The $144,323,530 of increment value in fiscal year 2024 produced revenue of $317,414. No other tax entities participate in Zone Three. Zone Three is scheduled to terminate on December 31, 2051.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2024/2025 Market Valuation Established by Harris Central Appraisal District (excluding totally exempt property)		$ 3,827,465,864	
Less Exemptions/Reductions at 100% Market Value:			
Over 65 Exemption	$ 77,064,755		
Solar	1,028,079		
Surviving Spouse	4,743,839		
Disabled Persons	5,029,067		
Disabled Veterrans	24,723,928		
Under $500	166,454		
Partial Total	4,130,143		
Abatement	13,787,845		
Totally Exempt	322,780,953		
Green Coffee and Cocoa	4,435,496		
Leased Vehicle	4,318,139	(462,208,698)	
Adjustments		317,729,917	
2024/2025 Taxable Assessed Valuation		$ 3,682,987,083	(1)
General Obligation Debt (as of September 30, 2024):			
Outstanding Debt	$ 67,565,000		
The Certificates	29,720,000 (2)	$ 97,285,000	
Less: Interest & Sinking Fund Balance (as of September 30, 2024)		$ 2,374,997	
Less: Self Supporting Tomball EDC Sales Tax Debt Service		6,785,000	(3)
Net General Obligation Debt Payable from Ad Valorem Taxes		$ 88,125,003	
Ratio of Net General Obligation Debt to Taxable Assessed Valuation		2.39%	

2025 Estimated Population - 15,152

Per Capita Taxable Assessed Valuation - $243,069

Per Capita Funded Debt - $5,816

(1) Certified values from the Harris Central Appraisal District, values are subject to change throughout the year.

(2) Preliminary, subject to change.

(3) General obligation debt in the amounts shown for which repayment is provided from revenues of the Tomball EDC Sales Tax ("Self-Supporting Debt"). It is the City's current policy to pay such Self-Supporting Debt from such source; provided, however, this policy is subject to change in the future. In the event the City changes this policy, or such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service.

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TABLE 2 – TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ending September 30,					
	2025		2024		2023	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 1,436,081,208	37.52%	$ 1,118,281,821	36.42%	$ 986,506,724	35.59%
Real, Residential, Multi-Family	194,139,197	5.07%	200,149,248	6.52%	176,158,031	6.36%
Real, Vacant Lots/Tracts	180,820,188	4.72%	142,037,009	4.63%	150,294,234	5.42%
Real, Acreage (Land Only)	12,777,055	0.33%	13,520,953	0.44%	16,863,136	0.61%
Real, Farm and Ranch Improvements	3,472,939	0.09%	2,711,076	0.09%	2,764,123	0.10%
Real, Commercial and Industrial	1,465,438,848	38.29%	1,220,089,641	39.74%	1,058,141,077	38.17%
Real, Oil, Gas & Other Mineral Reserves	7,729,330	0.20%	3,527,780	0.11%	3,941,183	0.14%
Real and Tangible Personal, Utilities	49,319,256	1.29%	39,276,056	1.28%	37,594,545	1.36%
Tangible Personal, Commercial and Industrial	393,565,135	10.28%	255,957,169	8.34%	288,862,976	10.42%
Tangible Personal, Other	872,719	0.02%	819,803	0.03%	599,623	0.02%
Special Inventory	53,639,842	1.40%	37,350,135	1.22%	33,700,442	1.22%
Real, Inventory	29,610,147	0.77%	36,549,733	1.19%	16,510,866	0.60%
Total Appraised Value Before Exemptions	$ 3,827,465,864	100.00%	$ 3,070,270,424	100.00%	$ 2,771,936,960	100.00%
Less: Total Exemptions/Reductions	(462,208,698)		(462,208,698)		(436,464,080)	
Adjustment	317,729,917		716,503,710		327,030,459	
Taxable Assessed Value	$ 3,682,987,083 [(1)]		$ 3,324,565,436		$ 2,662,503,339	

	Taxable Appraised Value for Fiscal Year Ending September 30,			
	2022		2021	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 734,217,168	30.92%	$ 641,269,419	28.15%
Real, Residential, Multi-Family	153,963,951	6.48%	155,179,100	6.81%
Real, Vacant Lots/Tracts	136,795,138	5.76%	147,710,427	6.48%
Real, Acreage (Land Only)	24,951,807	1.05%	6,001,599	0.26%
Real, Farm and Ranch Improvements	2,346,705	0.10%	2,537,201	0.11%
Real, Commercial and Industrial	960,870,424	40.46%	947,282,963	41.59%
Real, Oil, Gas & Other Mineral Reserves	1,582,721	0.07%	5,118,963	0.22%
Real and Tangible Personal, Utilities	33,968,953	1.43%	32,658,641	1.43%
Tangible Personal, Commercial and Industrial	274,056,299	11.54%	300,418,707	13.19%
Tangible Personal, Other	590,229	0.02%	562,352	0.02%
Special Inventory	31,623,993	1.33%	31,593,032	1.39%
Real, Inventory	19,609,121	0.83%	7,552,867	0.33%
Total Appraised Value Before Exemptions	$ 2,374,576,509	100.00%	$ 2,277,885,271	100.00%
Less: Total Exemptions/Reductions	402,816,733		77,588,473	
Adjustments	(341,451,111)		(1,873)	
Taxable Assessed Value	$ 2,313,210,887		$ 2,200,298,671	

(1) Certified values from the Harris Central Appraisal District, values are subject to change throughout the year.

TABLE 3 – VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population[(1)]	Taxable Assessed Valuation [(2)]	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year [(3)]	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
2021	12,053	$ 2,200,298,671	$ 182,552	$ 31,325,000	1.42%	$2,599
2022	12,341	2,313,210,887	187,441	47,450,000	2.05%	3,845
2023	12,810	2,662,503,339	207,846	41,930,000	1.57%	3,273
2024	13,500	3,324,565,436	246,264	70,300,000	2.11%	5,207
2025	15,152	3,682,987,083	243,069	94,050,000 [(4)]	2.55% [(4)]	6,207 [(4)]

(1) As reported by the City Staff.
(2) Certified values from the Harris Central Appraisal District, values are subject to change throughout the year.
(3) Includes Self-Supporting Debt. See "TABLE 10 – COMPUTATION OF SELF-SUPPORTING DEBT".
(5) Projected, includes the Certificates. Preliminary, subject to change.

TABLE 4 – TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2021	$ 0.337862	$ 0.164279	$ 0.173583	$ 7,297,621	97.5% [(1)]	99.7% [(1)]
2022	0.333339	0.177557	0.155782	7,498,423	98.5% [(1)]	99.6% [(1)]
2023	0.287248	0.180383	0.106865	7,550,971	98.5% [(1)]	98.5% [(1)]
2024	0.293320	0.186777	0.106543	9,523,694	98.0% [(1)]	98.1% [(1)]
2025	0.336365	0.190662	0.145703	12,290,004 [(2)]	95.1% [(2)]	94.7% [(3)]

(1) Information provided from the City's audited financial statements, 2021-2024.
(2) Information provided by the tax collections report of March 31, 2025.
(3) Total collections as of March 31, 2025 reflecting a refund of approximately $76,608 of 2023 taxes, $746 of 2021 taxes and $1,113 of 2020 taxes.

TABLE 5 – TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2024/2025 Taxable Assessed Valuation	% of 2024/2025 Taxable Assessed Valuation[(1)]
North Houston TRMC LLC	Healthcare	$ 158,742,676	4.31%
LIT Interchange 249 Business Park LLC	Business Park	103,564,992	2.81%
LIT Interchange 249 Phase I LLC	Business Park	100,988,133	2.74%
Mustang CAT-Manufacturing	Manufacturing	49,232,109	1.34%
Weingarten Investments Inc.	Commercial Realty	40,027,130	1.09%
Baker Hughes	Oil and Gas	38,958,535	1.06%
Centerpoint Energy Inc.	Utility	34,555,961	0.94%
SJBC Commercial XXI LLC	Commercial Realty	28,961,781	0.79%
Macys Bloomingdale Fulfillment Center	Shipping	26,072,068	0.71%
WalMart	Retail	23,217,450	0.63%
		$ 604,320,835	16.41%

Source: The City.
(1) Approximately 16.41% of the City's total taxable value is concentrated in its ten largest taxpayers. Adverse development affecting such taxpayers could adversely affect the taxable assessed valuation in the City resulting in less local tax revenue or future increase in ad valorem tax rates.

TABLE 6 – TAX ADEQUACY

2025 Principal and Interest Requirements	$	5,136,240 (1)
$0.1577 Tax Rate at 97% Collection Produces	$	5,137,983
Average Principal and Interest Requirements (2025 -2055)	$	4,838,766 (1)
$0.1486 Tax Rate at 97% Collection Produces	$	4,841,498
Maximum Principal and Interest Requirements (2026)	$	6,985,984 (1)
$0.2145 Tax Rate at 97% Collection Produces	$	6,988,569

(1) Includes the Certificates. Preliminary, subject to change. Excludes Self-Supporting Debt.

TABLE 7 – ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax debt ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Government Entity	2025 Taxable Assessed Value	Total Tax Debt as of 5/31/2025	Estimated % Applicable	City's Overlapping G.O. Debt 5/31/2025
Harris County	$ 661,276,330,491	$ 2,424,019,039	0.44%	$ 10,665,684
Harris County Dept. of Education	665,603,203,278	28,960,000	0.44%	127,424
Harris Co Flood Control	647,701,068,713	968,445,000	0.44%	4,261,158
Harris Co Hospital District	652,006,524,098	867,820,000	0.44%	3,818,408
Klein ISD	28,177,800,211	1,328,185,000	0.30%	3,984,555
Lone Star College System	327,734,172,746	471,270,000	0.96%	4,524,192
NorthPointe WC&ID	1,888,039,211	10,630,000	0.21%	22,323
Port of Houston Authority	651,817,781,500	406,509,397	0.44%	1,788,641
Southeast Regional Management District	596,142,086	79,520,000	2.89%	2,298,128
Tomball Business Improvement District	241,782,745	10,885,000	100.00%	10,885,000
Tomball ISD	17,252,069,646	902,780,000	15.36%	138,667,008
Total Overlapping Debt				$ 181,042,521
The City	$ 3,682,987,083 (1)			97,285,000 (2)
Total Direct and Overlapping Debt				$ 278,327,521

2024 Estimated Population	13,500
Ratio of Direct and Overlapping funded Debt to Taxable Assessed Valuation	3.77%
Per Capita Overlapping Funded Debt	$ 9,152

(1) Certified values from the Harris Central Appraisal District, values are subject to change throughout the year.
(2) Includes Self-Supporting Debt and the Certificates. Preliminary, subject to change.

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TABLE 8 – PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Year Ended 9/30	Outstanding Debt Service Principal	Outstanding Debt Service Interest	Outstanding Debt Service Total	The Certificates[1] Principal	The Certificates[1] Interest[2]	The Certificates[1] Total	Total Outstanding Debt Service	Less: Self-Supporting EDC Sales Tax Debt Service	Total Funded General Obligation Debt Service	% of Principal Retired
2025	$ 3,235,000	$ 2,669,694	$ 5,904,694	$ -	$ -	$ -	$ 5,904,694	$ 768,454	$ 5,136,240	
2026	3,315,000	2,523,324	5,838,324	315,000	1,602,324	1,917,324	7,755,648	769,664	6,985,984	
2027	3,420,000	2,382,579	5,802,579	460,000	1,459,088	1,919,088	7,721,666	769,674	6,951,992	
2028	3,520,000	2,246,984	5,766,984	485,000	1,435,463	1,920,463	7,687,446	769,609	6,917,837	
2029	3,625,000	2,111,014	5,736,014	510,000	1,410,588	1,920,588	7,656,601	772,914	6,883,687	19.41%
2030	3,580,000	1,981,669	5,561,669	535,000	1,384,463	1,919,463	7,481,131	771,194	6,709,937	
2031	3,670,000	1,859,337	5,529,337	560,000	1,357,088	1,917,088	7,446,425	770,508	6,675,917	
2032	3,760,000	1,731,419	5,491,419	590,000	1,328,338	1,918,338	7,409,756	770,229	6,639,527	
2033	2,960,000	1,606,681	4,566,681	620,000	1,298,088	1,918,088	6,484,769	769,208	5,715,561	
2034	2,540,000	1,491,231	4,031,231	655,000	1,266,213	1,921,213	5,952,444	222,050	5,730,394	39.43%
2035	2,620,000	1,376,781	3,996,781	685,000	1,232,713	1,917,713	5,914,494	222,068	5,692,426	
2036	2,705,000	1,257,600	3,962,600	720,000	1,197,588	1,917,588	5,880,187	221,709	5,658,479	
2037	2,785,000	1,138,216	3,923,216	760,000	1,160,588	1,920,588	5,843,803	221,951	5,621,852	
2038	1,905,000	1,036,212	2,941,212	795,000	1,121,713	1,916,713	4,857,925	-	4,857,925	
2039	1,995,000	946,294	2,941,294	840,000	1,080,838	1,920,838	4,862,131	-	4,862,131	55.68%
2040	2,085,000	856,037	2,941,037	880,000	1,037,838	1,917,838	4,858,875	-	4,858,875	
2041	2,170,000	765,650	2,935,650	925,000	991,556	1,916,556	4,852,206	-	4,852,206	
2042	2,270,000	670,550	2,940,550	975,000	941,681	1,916,681	4,857,231	-	4,857,231	
2043	1,020,000	601,525	1,621,525	1,030,000	889,050	1,919,050	3,540,575	-	3,540,575	
2044	1,060,000	559,925	1,619,925	1,085,000	833,531	1,918,531	3,538,456	-	3,538,456	69.55%
2045	1,105,000	516,625	1,621,625	1,145,000	774,994	1,919,994	3,541,619	-	3,541,619	
2046	1,150,000	471,525	1,621,525	1,205,000	715,566	1,920,566	3,542,091	-	3,542,091	
2047	1,195,000	424,625	1,619,625	1,265,000	655,359	1,920,359	3,539,984	-	3,539,984	
2048	1,245,000	375,825	1,620,825	1,325,000	592,228	1,917,228	3,538,053	-	3,538,053	
2049	1,295,000	325,025	1,620,025	1,395,000	525,928	1,920,928	3,540,953	-	3,540,953	82.22%
2050	1,350,000	272,125	1,622,125	1,460,000	456,338	1,916,338	3,538,462	-	3,538,462	
2051	1,405,000	217,025	1,622,025	1,535,000	382,759	1,917,759	3,539,784	-	3,539,784	
2052	1,465,000	158,709	1,623,709	1,615,000	304,796	1,919,796	3,543,506	-	3,543,506	
2053	1,525,000	97,041	1,622,041	1,695,000	222,874	1,917,874	3,539,914	-	3,539,914	
2054	1,590,000	21,863	1,611,863	1,780,000	136,868	1,916,868	3,528,730	-	3,528,730	98.07%
2055	-	-	-	1,875,000	46,406	1,921,406	1,921,406	-	1,921,406	100.00%
	$ 67,565,000	$ 32,693,109	$ 100,258,109	$ 29,720,000	$ 27,842,858	$ 57,562,858	$ 157,820,967	$ 7,819,229	$ 150,001,737	

(1) Preliminary, subject to change.
(2) Interest on the Certificates has been estimated at current market rates for the purpose of illustration. Preliminary, subject to change.

TABLE 9 – INTEREST AND SINKING FUND BUDGET PROJECTION

General Obligation Debt Service Requirements, Fiscal Year Ending 9/30/2025 [(1)]		$ 5,904,694
Interest and Sinking Fund, 9/30/2024	$ 2,374,997	
Budgeted Interest and Sinking Fund Tax Levy	5,000,000	
Budgeted Transfer from Tomball EDC	1,769,535	
Budgeted Delinquent Taxes, Penalites and Interest	(40,000)	
Budgeted Investment Income	50,000	9,154,532
Estimated Balance, 9/30/2025		$ 3,249,838

(1) Preliminary, subject to change. Includes self-supporting debt.

TABLE 10 – COMPUTATION OF SELF-SUPPORTING DEBT

Includes general obligation debt that the City treats as self-supporting debt payable from EDC sales tax revenues. It is the City's current practice to pay such self-supporting debt from such revenue source; provided; however, that this practice is subject to change in the future. In the event the City changes this practice, or such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service.

Gross Tomball EDC Sales Tax Revenue (9/30/2024)	$ 5,878,329
Less: Requirements for Sales Tax Revenue Bonds (9/30/2025)	-
Balance Available for Other Purposes	$ 5,878,329
Requirements for Tomball EDC Sales Tax Supported General Obligation Bonds (9/30/2025)	$ 768,454
Percentage of Tomball EDC Sales Tax Supported General Obligation Bonds treated as Self Supporting	100.00%

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

The City currently does not have any authorized but unissued general obligation bonds. However, under state law the City may issue certain types of ad valorem tax-supported debt, such as the Certificates, without an election.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT

The City does not anticipate the issuance of additional general obligation debt within the next 12 months.

TABLE 11 – OTHER OBLIGATIONS

The City previously issued Public Property Finance Obligations to finance acquisition of equipment for the Fire Department as described below:

$1,300,000 Public Property Finance Act Contract; principal and interest payments are due in ten annual installments from November 1, 2019, through November 1, 2028, interest at 3.65 percent through November 1, 2023, and at a fixed rate equal to the Wall Street Journal Prime Rate minus 1.35 percent per annum from November 1, 2023 through 2028.

Fiscal Year Ended	Principal	Interest	Total
2025	$ 130,000	$ 23,725	$ 153,725
2026	130,000	18,980	148,980
2027	130,000	14,235	144,235
2028	130,000	9,490	139,490
2029	130,000	4,745	134,745
	$ 650,000	$ 71,175	$ 721,175

PENSION FUND

The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System ("TMRS"), a State-wide administered nontraditional, joint contribution, hybrid defined benefit pension plan. Benefit provisions are adopted by the City Council, within the options available in the state statues governing TMRS. The contribution rate for the City is determined annually by an actuary, using the Entry Age Normal Actuarial Cost Method. The City makes annual contributions in accordance with the actuarially calculated contributions. For the Fiscal Year ended September 30, 2024, the City's contributions to TMRS were $2,226,396, which were equal to the required contributions. In addition to contributions by the City, employees are required to contribute seven percent of employee gross earnings. For additional information on the plan, including benefits, contributions and actuarial assumptions, see "APPENDIX B – EXCERPTS FROM THE ANNUAL FINANCIAL REPORT – Note 9: Pension Plan."

OTHER POST-EMPLOYMENT BENEFITS

In addition to pension benefits, the City provides certain other post-employment healthcare benefits for eligible retired employees and their dependents through a single employer defined benefit other post-employment benefit plan. The City has elected to subsidize premiums for the plan and funding is currently offered on a pay-as-you-go basis. The costs of these benefits are recognized as expenditures on a modified accrual basis when the underlying claims are paid. Commencing in fiscal year 2009, the City implemented GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions." The City no longer offers subsidized retiree insurance coverage for any employee who starts employment with the City after October 1, 2014. For more detailed information concerning the post-employment healthcare plan, see "APPENDIX B – EXCERPTS FROM THE ANNUAL FINANCIAL REPORT – Note 10: Retiree Health Care Plan."

The City also participates in the cost-sharing multiple-employer defined benefits group term life insurance plan operated by TMRS known as the Supplemental Death Benefit Fund ("SDBF"). The City elected by ordinance to provide group term life insurance coverage to both current and retired employees. The City 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. For more detailed information on the supplemental death benefit, see "APPENDIX B – EXCERPTS FROM THE ANNUAL FINANCIAL REPORT – Note 10: Retiree Health Care Plan."

GASB Statement No. 75 requires reporting entities, such as the City, to adjust how long-term obligations associated with post-employment benefits other than pensions ("OPEB") are calculated and reported. The changes related to OPEB affect only the government-wide and proprietary fund financial statements and do not affect the City's general fund balance. The calculation of OPEB contributions for funding purposes is unaffected by the changes implemented under GASB Statement No 75. Reporting under GASB Statement No. 75 began in connection with the audited financial statements issued for the City's fiscal year ended September 30, 2022. See "APPENDIX B – EXCERPTS FROM THE ANNUAL FINANCIAL REPORT – STATEMENT OF NET POSITION, " "– Note 1: Nature of Operations and Summary of Significant Accounting Policies, " and "– Note 10: Retiree Health Care Plan" for additional information regarding the City's recognition of an OPEB liability as it relates to the City's post-employment healthcare benefits and the City's participation in the SDBF.

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FINANCIAL INFORMATION

TABLE 12 – CHANGES IN NET ASSETS

	For Fiscal Year Ended September 30				
	2024	2023	2022	2021	2020
Revenues:					
Charges for Services	$ 8,362,738	$ 6,205,210	$ 5,947,758	$ 4,965,064	$ 4,443,535
Operating Grants and Contributions	63,276	690,462	892,201	1,358,419	473,851
Capital Grants and Contributions	6,540,037	8,888,801	5,840,595	4,869,087	-
Property Taxes	9,269,398	7,406,788	7,339,362	7,213,050	6,919,721
Sales Taxes	17,809,919	16,883,112	16,312,753	13,361,050	12,291,928
Franchise Taxes	1,803,425	1,674,332	1,583,488	1,459,571	1,565,842
Special Assessments	2,296,022	115,128	-	-	-
Gain On Sale of Capital Assets	248,537	2,501,685	73,732	260,345	162,560
Contributions	793,235	1,823,202	784,885	782,885	2,356,370
Unrestricted Investment Earnings	5,423,525	3,351,450	4,595	533,098	788,699
Other	386,171	296,860	1,709,273	809,219	633,271
Total Revenues	$ 52,996,283	$ 49,837,030	$40,488,642	$ 35,611,788	$ 29,635,777
Expenditures:					
Government Administration	$ 12,138,136	$ 11,650,395	$ 8,114,100	$ 7,453,414	$ 8,008,324
Public Safety	15,137,533	13,532,671	11,982,088	10,642,757	10,976,532
Public Works	7,367,202	6,391,403	5,081,755	4,998,747	4,071,787
Parks and Recreation	1,046,241	934,183	864,122	850,842	-
Tourism and Arts	771,354	596,313	672,983	551,323	-
Community Development	798,111	721,855	515,531	532,472	556,924
Interest on Long-Term Debt	3,467,587	1,732,978	868,205	1,017,122	1,295,548
Total Expenditures	$ 40,726,164	$ 35,559,798	$28,098,784	$ 26,046,677	$ 24,909,115
Change in Net Assets Before Transfers	$ 12,270,119	$ 14,277,232	$12,389,858	$ 9,565,111	$ 4,726,662
Transfers	(2,499,332)	(70,208)	2,507,506	1,206,112	2,467,434
Change in Net Assets	$ 9,770,787	$ 14,207,024	$14,897,364	$ 10,771,223	$ 7,194,096
Beginning Net Assets	113,439,773	99,232,749	84,335,385	71,779,751	64,585,655
Cumulative effect of adoption of GASB 84	-	-	-	67,645 (1)	-
Prior period adjustment	-	-	-	1,716,766 (2)	-
Ending Net Assets	$ 123,210,560	$ 113,439,773	$99,232,749	$ 84,335,385	$ 71,779,751

(1) Cumulative effect of adoption of GASB Statement No. 84, Fiduciary Activities.
(2) Restated to reflect an understatement of capital assets donated as of September 30, 2020.

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TABLE 12A – GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	For Fiscal Year Ended September 30				
	2024	2023	2022	2021	2020
Revenues:					
Property Taxes	$ 5,600,099	$ 4,658,804	$ 3,915,320	$ 3,511,280	$ 2,265,470
Sales Tax	17,809,919	16,883,112	16,312,753	13,361,050	12,291,928
Franchise and other taxes	987,012	964,217	948,804	973,053	1,084,860
Licenses and Permits	1,641,279	1,573,426	2,099,085	1,633,908	1,113,989
Fines and Forfeitures	353,821	329,049	311,384	307,568	349,302
Service Revenue	5,907,274	4,297,279	3,530,408	3,013,862	2,967,034
Contributions from Component Unit		-	-	-	-
Investment Earnings	1,792,820	1,407,138	(9,627)	(15,499)	168,109
Intergovernmental	63,276	640,462	882,201	1,358,419	416,777
Other	182,777	73,835	207,984	44,366	60,475
Total Revenues	$ 34,338,277	$ 30,827,322	$ 28,198,312	$ 24,188,007	$ 20,717,944
Expenditures:					
General Government	$ 10,448,535	$ 7,868,860	$ 6,703,198	$ 6,413,908	$ 6,112,797
Public Safety	13,646,340	12,222,233	11,433,462	10,111,561	9,894,372
Public Works	6,759,231	5,711,996	4,719,770	4,633,013	3,747,361
Parks and Recreation	961,765	934,183	864,199	850,842	870,206
Community Development	728,241	468,361	369,924	382,201	400,824
Debt Service	75,168	73,698	25,056	-	-
Capital Outlay	711,659	788,188	442,177	75,172	235,180
Total Expenditures	$ 33,330,939	$ 28,067,519	$ 24,557,786	$ 22,466,697	$ 21,260,740
Transfers In	$ 2,500,000	$ 2,000,000	$ 2,021,994	$ 2,771,041	$ 2,603,335
Transfers Out	(2,126,000)	(1,276,000)	(556,000)	(672,012)	(726,000)
Insurance Recoveries	172,521	26,578	39,967	219,612	-
Issuance of Subscriptions	189,079	251,386	-	-	-
Proceeds from Sale of Capital Assets	62,604	112,169	23,934	27,469	166,059
Total Other Financing Sources (Uses)	$ 798,204	$ 1,114,133	$ 1,529,895	$ 2,346,110	$ 2,043,394
Excess (Deficit) of Revenues and Other Sources Over Expenditures and Other Financing Uses	$ 1,805,542	$ 3,873,936	$ 5,170,421	$ 4,067,420	$ 1,500,598
Fund Balance, Beginning of Year	30,501,242	26,627,306	21,456,885	17,389,465	15,888,867
Fund Balance, End of Year	$ 32,306,784	$ 30,501,242	$ 26,627,306	$ 21,456,885	$ 17,389,465

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TABLE 13 – MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Chapter 321, Texas Tax Code, as amended, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the General Obligation Debt Service. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. The voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (1/2 of 1%) for economic development and an additional one-half of one percent (1/2 of 1%) for property tax reduction. The sales and use tax for economic development is collected solely for the benefit of Tomball Economic Development Corporation (the "Tomball EDC") and may be used for authorized purposes including being pledged to secure payment of sales tax revenue bonds issued by the Tomball EDC. The sales taxes collected for the benefit of the Tomball EDC are not included in the table below. Revenue from the 1% Local Sales and Use Tax and ½ of 1% for property tax reduction for the years shown, has been included in the table below:

Fiscal Year Ended 9/30	Total Sales Tax Collected (1)	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2020	$12,291,928	178.01%	0.5586	$ 1,040
2021	13,361,050	183.09%	0.5776	1,109
2022	16,312,753	217.55%	0.7052	1,322
2023	16,769,285	222.08%	0.6298	1,309
2024	17,809,919	204.85%	0.5357	1,319

(1) Source: the City's audited financial statements. Represents collections of 1 ½%. Includes the ½ of 1% for property tax relief. Does not include the ½% collections for the Tomball EDC.

INVESTMENTS

The City invests its investable funds (including bond proceeds and money pledged to the payment of or as security for bonds or other indebtedness issued by the City or obligations under a lease, installment sale, or other agreement of the City) in investments authorized by Texas law in accordance with investment policies approved by the City Council of the City. Both state law and the City's investment policies are subject to change.

Legal Investments . . . Under State law, 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.

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.

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

Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield. Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value and the ending market value and fully accrued interest during the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the 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.

TABLE 14 – CURRENT INVESTMENTS

As of March 31, 2025, the City's investable funds were invested in the following categories:

Description	Percent of Total	Book Value
Cash	2.32%	$ 2,846,697
Investment Pools	96.09%	117,710,359 (1)
Securities	1.59%	1,939,613
Total	100.00%	$ 122,496,669

Source: The City.

The City is authorized to invest its funds in certain local governmental investment pools. The City currently utilizes Texas CLASS, TexPool, and TexSTAR.

(1) Texas CLASS was created as a local government investment pool. Entities may pool any of their funds, or funds under their control, to preserve principal, maintain the liquidity of the funds, and maximize yield. The Texas CLASS Trust Agreement is an agreement of indefinite term regarding the investment, reinvestment, and withdrawal of local government funds. The parties to the Trust Agreement are Texas local government entities that choose to participate in the Trust (the Participants), Public Trust Advisors, LLC (Public Trust) as Program Administrator, and Wells Fargo Bank Texas, N.A. as Custodian.

TexPool is a local government investment pool under the control of the Texas Comptroller of Public Accounts. Investment management and customer service are outsourced by the Comptroller. The pool's investment objectives include achieving a stable net asset value of $1.00 per share. Daily investment or redemption of funds is allowed by the participants.

TexSTAR is a local government investment pool for whom First Southwest Asset Management, Inc., an affiliate of HilltopSecurities Inc., the City's financial advisor, provides customer service and marketing for the pool. TexSTAR currently maintains a "AAAm" rating from Standard & Poor's and has an investment objective of achieving and maintaining a stable net asset value of $1.00 per share. Daily investments or redemptions of funds are allowed by the participants.

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Certificates should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Certificates.

TAX EXEMPTION

In the opinion of Bracewell LLP, Bond Counsel, under existing law, interest on the Certificates (i) is excludable from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Certificates, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of obligation proceeds and the source of repayment of obligations, limitations on the investment of obligation proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of obligation proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The City has covenanted in the Ordinance that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Ordinance pertaining to those sections of the Code that affect the excludability of interest on the Certificates from gross income for federal income tax purposes and, in addition, will rely on representations by the City and other parties involved with the issuance of the Certificates with respect to matters solely within the knowledge of the City, and such other parties, which Bond Counsel has not independently verified. If the City fails to comply with the covenants in the Ordinance or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Certificates could become includable in gross income from the date of delivery of the Certificates, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, Bond Counsel will express no opinion as to the amount or timing of interest on the Certificates or any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Certificates. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Ordinance upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel's ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Certificates from gross income for federal income tax purposes.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the audit regardless of the ultimate outcome of the audit.

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

Collateral Tax Consequences . . . Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences, including but not limited those noted below. Therefore, prospective purchasers of the Certificates should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Certificates.

An "applicable corporation" (as defined in section 59(k) of the Code) may be subject to a 15% alternative minimum tax imposed under section 55 of the Code on its "adjusted financial statement income" (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Certificates, is included in a corporation's "adjusted financial statement income," ownership of the Certificates could subject certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Certificates.

Prospective purchasers of the Certificates should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Certificates, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium Certificates. . . If the issue price of a maturity of the Certificates exceeds the stated redemption price payable at maturity of such Certificates, such Certificates (the "Premium Certificates") are considered for federal income tax purposes to have "Bond premium" equal to the amount of such excess. The basis of a Premium Certificate in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Certificate in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Certificate by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Certificate that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Certificate) is determined using the yield to maturity on the Premium Certificate based on the initial offering price of such Premium Certificate.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Certificates that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Certificates should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized Certificate premium upon the redemption, sale or other disposition of a Premium Certificate and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Certificates.

Tax Accounting Treatment of Original Issue Discount Certificates. . . If the issue price of the Certificates is less than the stated redemption price payable at maturity of such Certificates (the "OID Certificates"), the difference between (i) the amount payable at the maturity of each OID Certificate, and (ii) the initial offering price to the public of such OID Certificate constitutes original issue discount with respect to such OID Certificate in the hands of any owner who has purchased such OID Certificate in the initial public offering of the Certificates. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such OID Certificates equal to that portion of the amount of such original issue discount allocable to the period that such OID Certificate continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Certificates under the captions "TAX MATTERS – TAX EXEMPTION" and "– ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS - COLLATERAL TAX CONSEQUENCES" and "- TAX LEGISLATIVE CHANGES" generally applies and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such OID Certificate prior to stated maturity, however, the amount realized by such owner in excess of the basis of such OID Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such OID Certificate was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Initial Purchaser has purchased the Certificates for contemporaneous sale to the public and (ii) all of the OID Certificates have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the page 2 of this Official Statement. Neither the City nor Bond Counsel has made any investigation or offers any comfort that the OID Certificates will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each OID Certificate accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Certificates and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such OID Certificate for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such OID Certificate.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of OID Certificates that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of OID Certificates should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale or other disposition of such OID Certificates and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such OID Certificates.

TAX LEGISLATIVE CHANGES

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Certificates from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Certificates. Prospective purchasers of the Certificates should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("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 shall provide annually to the MSRB, (i) within six (6) months after the end of each Fiscal Year of the City ending in and after 2025, financial information and operating data with respect to the City of the general type included in the Official Statement under Tables 1 through 6 and Tables 8 through 14, and including financial statements of the City if audited financial statements of the City are then available, and (ii) if not provided as part of such financial information and operating data, audited financial statements of the City, when and if available. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in the rules to the financial statements for the most recently concluded Fiscal Year, or such other accounting principles as the City may be required to employ, from time to time, by State law or regulation, and (ii) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such financial statements becomes available.

The City may provide updated information in full text or may incorporate by reference other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements if the City commissions an audit and the audit is completed by the required time.

The City's current fiscal year end is September 30. Accordingly, the City must provide the portion of the updated information that is due within six (6) months after the end of its fiscal year by the last day of March 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.

The City will notify the MSRB through EMMA, in a timely manner, of any failure by the City to provide the required annual financial information described above under "- ANNUAL REPORTS" in accordance with the Ordinance by the time required.

NOTICES OF CERTAIN EVENTS

The City will also provide the following to the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of any of the following events with respect to the Certificates: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material, (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

For these purposes, (A) 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, (B) as used in (15) and (16), "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule, and (C) the City intends the words used in paragraphs (15) and (16) and the definition of financial obligation to have the meanings ascribed to them in 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 amendments to the Rule effected by the 2018 Release.

LIMITATIONS AND AMENDMENTS

The City shall be obligated to update information and provide notices of events for so long as, but only for so long as, the City remains an "obligated person" with respect to the Certificates within the meaning of the Rule, except that the City in any event will give notice of any redemption calls and any defeasances that cause the City to be no longer an "obligated person." The City has undertaken to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

No default by the City in observing or performing its obligations under its undertaking shall constitute a breach of or default under the Ordinance for purposes of any other provisions of the Ordinance.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the initial primary offering in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Certificates consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates.

If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "ANNUAL REPORTS" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

RISKS FROM WEATHER EVENTS

The City is located near the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by rain events, hurricanes, tropical storms, and other tropical disturbances. If a weather-related event were to significantly damage all or part of the improvements 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 property owners will choose to carry flood insurance), any insurance company will fulfill its obligations to provide insurance proceeds or that insurance proceeds will be used to rebuild or repair damaged improvements within the City. Even if insurance proceeds are available and improvements are rebuilt, there could be a period of time in which assessed values within the City would be adversely affected.

CYBERSECURITY

The City, like other cities in the State, utilizes technology in conducting its operations. As a user of technology, the City potentially faces cybersecurity threats (e.g., hacking, phishing, viruses, malware and ransomware) on its technology systems. Accordingly, the City may be the target of a cyber-attack on its technology systems that could result in adverse consequences to the City. The City employs a multi-layered approach to combating cybersecurity threats. While the City deploys layered technologies and requires employees to receive cybersecurity training, as required by State law, among other efforts, cybersecurity breaches could cause material disruptions to the City's finances or operations. The costs of remedying such breaches of protecting against future cyber-attacks could be substantial and there is no assurance that these costs will be covered by insurance. Further, cybersecurity breaches could expose the City to litigation and other legal risks, which could cause the City to incur other costs related to such legal claims or proceedings.

EXPOSURE TO OIL AND GAS INDUSTRY

In the past, the greater Houston area has been particularly affected by 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 Certificates 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 Certificates.

OTHER INFORMATION

RATINGS

The Certificates and presently outstanding tax supported debt of the City are rated "AA+" by S&P Global Ratings without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The rating reflects only the views of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates. The rating is not a representation to buy, sell, or hold the Certificates.

LITIGATION

It is the opinion of the City Attorney that there is no pending litigation against the City that would have a material adverse financial impact upon the City's ability to pay debt service on the Certificates.

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION – RATINGS" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

LEGAL MATTERS

The City will furnish to the Initial Purchaser a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bracewell LLP, Houston, Texas, Bond Counsel, in substantially the form attached hereto as Appendix C. Though such firm represents the Financial Advisor from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Certificates. In its capacity as Bond Counsel, Bracewell LLP, Houston, Texas, has not independently verified any of the factual information contained in this Official Statement nor have they conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of this Official Statement. Bond Counsel's role in connection with the Official Statement was limited to reviewing the information describing the Certificates in the Official Statement to verify that such descriptions conform to the provisions of the Ordinance. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the information contained herein.

The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent upon the sale and delivery of the Certificates.

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

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

FINANCIAL ADVISOR

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

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

AUDITED FINANCIAL STATEMENTS

Weaver and Tidwell, LLP, the City's independent auditor, (the "Auditor") has not reviewed, commented on, or approved, and is not associated with, this Official Statement. The report of the Auditor relating to City's financial statements for the fiscal year ended September 30, 2024 is included in this Official Statement in Appendix B; however, the Auditor 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.

CERTIFICATION OF THE OFFICIAL STATEMENT AND NO-LITIGATION CERTIFICATE

At the time of payment for and delivery of the Certificates, the Initial Purchaser will be furnished a certificate, executed by the proper City officials, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of purchase of said Certificates, and on the date of delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of, or pertaining to, entities other than the City and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and that the City has no reason to believe that they are untrue in any material respect; (d) there has been no material adverse change in the financial condition of the City since September 30, 2024, the date of the last audited financial statements of the City and (e) except as disclosed herein, no litigation of any nature has been filed or is pending, as of that date, of which the City has notice to restrain or enjoin the issuance, execution or delivery of the Certificates, in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Certificates; or which would affect the provisions made for their payment or security, or in any manner question the validity of the Certificates.

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. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

INITIAL PURCHASER

________________ (the "Initial Purchaser") has agreed, subject to certain conditions, to purchase of the Certificates from the City at a price of $___________, (representing the principal amount of the Certificates, plus an original issue premium of $__________, less an underwriting discount of $____________). The Initial Purchaser will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Initial Purchaser and other dealers depositing Certificates into investment trusts) at prices lower than the public offering prices of such Certificates, and such public offering prices may be changed, from time to time, by the Initial Purchaser.

APPENDIX A

GENERAL INFORMATION

REGARDING THE CITY

LOCATION AND SIZE

The City of Tomball (the "City") is approximately 32 miles northwest of Houston on FM Road 2920. The City encompasses some 13.05 square miles.

MANAGEMENT OF THE CITY

The City of Tomball was incorporated on July 18, 1933 and adopted a "Home Rule Charter" on January 17, 1987. The charter provides for a "Council-City Manager" form of city government.

The mayor and five councilmembers are elected to serve three-year terms. The City Manager acts as the chief administrative officer, overseeing departmental operations and implementing the policies and directives of the City Council.

The City provides a number of services including: water, sanitary sewer collection and treatment, gas service, solid waste and disposal, police (one station and 88 sworn officers), fire (Fire Chief and Assistant Chief who oversee four stations, 27 full-time firefighters, 12 part-time paid firefighters, 25 volunteer firefighters, a Fire Marshall, and one full-time and one part-time Fire Inspector), maintaining streets and drainage, municipal court, a community center and parks, recreation, tourism and general administration.

TRANSPORTATION AND UTILITIES

Tomball is served by Burlington Northern system affiliate, with rail spur connections available, and is also served by Arrow-Trailways bus line. Commercial air service is afforded by the Houston Intercontinental Airport, Houston Hobby Airport and David Wayne Hooks Memorial Airport, approximately 25 miles, 40 miles and 2 miles from Tomball, respectively. FM 2920, a four-lane highway, connects the City to Interstate 45 and State Highway 290.

Electricity is supplied by CenterPoint, and natural gas is supplied by the City. The City supplies potable water from six water wells and also provides two wastewater collection and treatment facilities.

EDUCATION AND HEALTH CARE

The Tomball Independent School District is a fully-accredited Class 6A school system which serves the students of the City and the surrounding areas. The District operates two elementary schools, three intermediate schools, two junior high schools, two high schools and an alternative education center. The District employs a professional staff of 960 and a total staff of 1,630.

Higher education facilities in the area include Lone Star College – Tomball which is a 145-acre campus offering Associate of Applied Science and Associate of Arts Degrees.

Other colleges and universities within commuting distance include: Houston Christian University, Prairie View A&M University, Rice University, St. Thomas University, Sam Houston State University, Texas A&M University, Texas Southern University, and the University of Houston.

Tomball is served by the for-profit acute general care hospital HCA Houston Tomball. The hospital has 358 licensed beds, including 34 critical access beds. HCA Houston Tomball includes complete diagnostic facilities, a cardiac care unit, 24-hour emergency room, outpatient surgery center, a birthing center, a sports medicine center, home health care and the Texas Wound and Lymphedema Center. Also included with the hospital is The Heritage Retirement Community, which offers independent assisted living, comprehensive living and an Adult Daybreak Center. The City is also served by the for-profit long-term acute care hospital Kindred Hospital. The facility has 75 private rooms, including a 12-bed intensive care unit where it provides intensive care services, endoscopy suites, in-house radiology with CT, hyperbaric oxygen chambers, and 24-hour in-house physician coverage.

COMMUNITY FACILITIES

Newspapers: The City is served by two local newspapers, Community Impact Newspaper and The Tomball Potpourri News. The Houston Chronicle is also available to residents.

Library: The City contains a branch of the Harris County Library.

RECREATION FACILITIES

The City operates seven parks and two county operated parks are located nearby. The system includes a swimming pool.

Because of the City's proximity to the City of Houston, residents of the City can take advantage of the cultural, recreational and sports entertainment available to residents of the City of Houston.

Tomball also has The Regional Arts Council, which is an organization that coordinates artistic events and programs in the Tomball area.

LABOR STATISTICS FOR HARRIS COUNTY

	Average Annual				
	2025[1]	2024	2023	2022	2021
Civilian Labor Force	2,544,824	2,497,420	2,414,902	2,339,651	2,295,634
Employed	2,443,445	2,386,885	2,312,228	2,240,795	2,149,355
Unemployed	101,379	110,535	102,674	98,856	146,279
Percent Unemployed	3.98%	4.43%	4.25%	4.23%	6.37%

(1) As of April 2025.

EMPLOYMENT

City of Tomball

Company	Type	Employees
Tomball ISD	Education	2,800
HCA	Medical	1,500
Lone Star College	Education	730
HEB	Grocery Store	380
Walmart	Retail	275
City of Tomball	Government	270
Lowes	Retail	213
Kroger	Grocery Store	181
Costco	Retail	125
Houston Poly Bad, LTC	Retail	120

Source: The City.

POPULATION

Estimated Population 2021	Estimated Population 2022	Estimated Population 2023	Estimated Population 2024	Estimated Population 2025
12,053	12,341	12,810	13,500	13,500

Source: The City.

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APPENDIX B

EXCERPTS FROM THE

CITY OF TOMBALL, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2024

The information contained in this Appendix consists of excerpts from the City of Tomball, Texas Annual Financial Report for the Year Ended September 30, 2024, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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1800 Hughes Landing Blvd, Suite 400
The Woodlands, Texas 77380
713-800-1060

Independent Auditor's Report

The Honorable Mayor
and Members of the City Council
City of Tomball, 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 Tomball, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, during the year ended September 30, 2024, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections*. Our opinions are not modified with respect to this matter.

As discussed in Note 15 to the basic financial statements, the City restated the beginning net position of the discretely presented component unit to correct a misstatement in its previously issued financial statements. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The City's 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 statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 and the Required Supplementary Information, as listed in 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.

The Honorable Mayor
and Members of the City Council
City of Tomball, Texas

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 Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary 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. Such 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 Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Comprehensive Financial Report (ACFR)

Management is responsible for the other information included in the ACFR. The other information comprises the Introductory Section and Statistical Section but does not include the financial statements and our auditor's report thereon. Our opinions on the 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 financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the 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 23, 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 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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

The Woodlands, Texas
May 23, 2025

Management's Discussion and Analysis
(Unaudited)

The management of the City of Tomball (the "City") offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2024. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and statistical section as listed in the table of contents.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $197.0 million *(net position)*. Of this amount, $55.0 million *(unrestricted net position)* may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $98.3 million, an increase of $27.4 million over the prior year. Approximately 33% of this total amount, $32.2 million, is *available for spending* at the government's discretion *(unassigned fund balance)*.
- The City's total long-term liabilities increased by $25.3 million due primarily to issuance of $27.6 million in certificates of obligation during 2024.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Refer to the table of contents for the location of each of these components.

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal 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.* Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues *(governmental activities)* from other functions that are intended to recover all or a significant portion of their costs through user fees and charges *(business-type activities)*. The governmental activities of the City include general government, public safety, public works, parks and recreation, tourism and arts, community development, and interest and fiscal agent fees. The business-type activities of the City include utility system administration, water, wastewater and gas operations.

The government-wide financial statements include not only the City itself (known as *the primary government*), but also a legally separate entity (*Tomball Economic Development Corporation*) for which the City is financially accountable. Financial information for this *discretely presented component unit* is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements. *A fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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 fiscal year. Such information may be useful in evaluating a government'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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund 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 thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, Capital Projects Fund and State and Federal Grants Fund, which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements as noted in the table of contents.

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 enterprise funds to account for its gas system and water and wastewater system. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for fleet replacement and health benefits. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Enterprise Fund, which is considered to be a major fund. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements as noted in the table of contents.

Fiduciary Funds. The City maintains one type of fiduciary fund. *Custodial funds* are used to report fiduciary activities that are not required to be reported in a trust fund. The City maintains one custodial fund to account for private developer contributions, special assessment bond proceeds, special assessments, and related debt service associated with the issuance of bonds issued by the City as the custodian for the Pubic Improvement Districts (PIDs) within the City.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees. The City adopts an annual appropriated budget for the general fund and certain other governmental funds. Budgetary comparison schedules have been provided to demonstrate compliance with these budgets as noted in the table of contents.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $197.0 million at the close of the most recent fiscal year.

City of Tomball, Texas Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Current and other assets	$ 107,365,090	$ 78,731,047	$ 20,450,287	$ 19,818,729	$ 127,815,377	$ 98,549,776
Capital assets	101,896,517	93,663,989	57,145,312	45,955,906	159,041,829	139,619,895
Total assets	209,261,607	172,395,036	77,595,599	65,774,635	286,857,206	238,169,671
Deferred outflows	3,765,517	4,838,748	759,901	901,338	4,525,418	5,740,086
Total deferred outflows of resources	3,765,517	4,838,748	759,901	901,338	4,525,418	5,740,086
Long-term liabilities outstanding	83,949,550	58,420,488	2,264,196	2,512,338	86,213,746	60,932,826
Other liabilities	4,952,408	4,497,394	2,053,911	1,640,861	7,006,319	6,138,255
Total liabilities	88,901,958	62,917,882	4,318,107	4,153,199	93,220,065	67,071,081
Deferred inflows	914,606	876,129	243,084	201,445	1,157,690	1,077,574
Total deferred inflows of resources	914,606	876,129	243,084	201,445	1,157,690	1,077,574
Net position:						
Net investment in capital assets	81,088,160	71,583,070	57,145,312	45,955,906	138,233,472	117,538,976
Restricted	3,729,490	4,369,685	-	-	3,729,490	4,369,685
Unrestricted	38,392,910	37,487,018	16,648,997	16,365,423	55,041,907	53,852,441
Total net position	$ 123,210,560	$ 113,439,773	$ 73,794,309	$ 62,321,329	$ 197,004,869	$ 175,761,102

By far the largest portion of the City's net position, 70.2% or $138.2 million, reflects its net investment in capital assets (e.g., land, construction in progress, buildings and improvements, machinery and equipment, vehicles, right-to-use assets, gas system, water and wastewater system and infrastructure), less any related outstanding debt used to acquire those assets. 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 capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, 1.9% or $3.7 million, represents resources that are subject to restrictions on how they may be used. The remaining balance of *unrestricted net position* of 27.9% or $55.0 million, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental activities and business-type activities increased the City's net position by $21.2 million in 2024. The following table provides a summary of the City's operations for the year ended September 30, 2024.

City of Tomball, Texas Change in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	$ 8,362,738	$ 6,205,210	$ 19,591,068	$ 17,146,443	$ 27,953,806	$ 23,351,653
Operating grants and contributions	63,276	690,462	-	-	63,276	690,462
Capital grants and contributions	6,540,037	8,888,801	2,420,642	2,658,430	8,960,679	11,547,231
General revenues:						
Property taxes	9,269,398	7,406,788	-	-	9,269,398	7,406,788
Sales taxes	17,809,919	16,883,112	-	-	17,809,919	16,883,112
Franchise and other taxes	1,803,425	1,674,332	-	-	1,803,425	1,674,332
Gain on sale of capital assets	248,537	115,128	2,436	-	250,973	115,128
Contributions not restricted	793,235	2,501,685	-	-	793,235	2,501,685
Special assessments	2,296,022	1,823,202	-	-	2,296,022	1,823,202
Unrestricted investment earnings	5,423,525	3,351,450	649,400	520,497	6,072,925	3,871,947
Other	386,171	296,860	322,059	385,626	708,230	682,486
Total revenues	52,996,283	49,837,030	22,985,605	20,710,996	75,981,888	70,548,026
Expenses:						
General government	12,138,136	11,650,395	-	-	12,138,136	11,650,395
Public safety	15,137,533	13,532,671	-	-	15,137,533	13,532,671
Public works	7,367,202	6,391,403	-	-	7,367,202	6,391,403
Parks and recreation	1,046,241	934,183	-	-	1,046,241	934,183
Tourism and arts	771,354	596,313	-	-	771,354	596,313
Community development	798,111	721,855	-	-	798,111	721,855
Interest and fiscal agent fees	3,467,587	1,732,978	-	-	3,467,587	1,732,978
Utility administration	-	-	2,479,184	2,175,738	2,479,184	2,175,738
Water	-	-	6,189,726	6,870,290	6,189,726	6,870,290
Wastewater	-	-	2,649,226	2,639,192	2,649,226	2,639,192
Gas	-	-	2,693,821	2,648,331	2,693,821	2,648,331
Total expenses	40,726,164	35,559,798	14,011,957	14,333,551	54,738,121	49,893,349
Change in net position before transfers	12,270,119	14,277,232	8,973,648	6,377,445	21,243,767	20,654,677
Transfers	(2,499,332)	(70,208)	2,499,332	70,208	-	-
Change in net position	9,770,787	14,207,024	11,472,980	6,447,653	21,243,767	20,654,677
Net position - beginning	113,439,773	99,232,749	62,321,329	55,873,676	175,761,102	155,106,425
Net position - ending	$ 123,210,560	$ 113,439,773	$ 73,794,309	$ 62,321,329	$ 197,004,869	$ 175,761,102

Governmental Activities. Governmental activities increased the City's net position by $9.8 million during the current year.

Revenues increased by $3.2 million, or 6.3%, over the prior year primarily due to 1) $2.1 million increase in investment earnings due to favorable interest rates during 2024 and additional bond proceeds invested and 2) $1.2 million increase in charges for services associated with the ESD# 15 interlocal agreement.

Expenses increased by $5.2 million, or 14.5%, over the prior year primarily due to 1) Increase of $1.7 million in interest expenses primarily due to scheduled bond payments and 2) increase of $1.6 million in public safety and increase of $1.0 million in public works due to standard pay increases and increase in public safety employees (police and fire) and public works employees to satisfy increased demand for public services.

Business-type Activities. Business-type activities increased the City's net position by $11.5 million, due primarily to continued growth in utility customers and consumption of service. Expenses decreased by $0.3 million, or 2.2%, due primarily to a decrease of $0.8 million in water purchases from North Harris County Regional Water Authority.

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 of 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 discretionary use as it represents a portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by City Council.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $98.3 million, an increase of $27.4 million over the prior year. Approximately 32.8% of this total amount, $32.2 million, is unassigned fund balance, 54.9%, or $53.9 million, is restricted fund balance and 12.2%, or $12.0 million is committed fund balance. The remaining fund balance is less than 1% of the total.

Fund balance in the General Fund increased from the prior year by $1.8 million, resulting in an ending fund balance of $32.3 million at year end. The unassigned fund balance of $32.2 million represents 99.8% of total fund balance and 96.7% of total General Fund expenditures. Total general fund revenues increased $3.5 million from 2023 to 2024, of which property tax revenues increased $0.9 million and sales tax revenues increased $0.9 million as a result of the strong growth in the local population and tax base. Charges for services increased by $1.6 million associated with the ESD# 15 interlocal agreement. Total general fund expenditures increased $5.3 million, or 18.7%, due primarily to an increase of $2.0 million in contributions to the fleet replacement internal service fund, an average 3% cost of living adjustment in 2024 as well as increases in staffing within public safety (police and fire) and public works.

The Debt Service Fund has a total fund balance of $2.4 million at year end, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the Debt Service Fund was $0.8 million, due primarily to anticipated debt service requirements in the current year.

The Capital Projects Fund has a total fund balance of $61.8 million at year end, of which $49.9 million and $11.9 million is restricted and committed, respectively, for capital projects. The net increase in fund balance during the current year was $26.1 million, due primarily to $28.0 million of bond proceeds issued (including premiums). The City also transferred a net $6.7 million into the Capital Projects Fund from other funds to supplement the bond proceeds.

The State and Federal Grants Fund has $14 thousand of fund balance at year end since this represents grant awards that are reimbursement based or are advance funded, usually resulting in a net zero change in fund balance. The fund recognized $250 thousand in both grant revenues and expenditures during the current year.

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

The Enterprise Fund has unrestricted net position at fiscal year-end of $15.6 million and total net position of $72.7 million. Other factors concerning the finances of the City's Proprietary Funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Budget estimates for revenues between the original and final amended budget increased by $4.2 million due primarily to refined sales tax collection from economic growth in the area and improved investment earnings due to favorable interest rates.

During the year there was a net increase between the original and final amended budget expenditure appropriations of $0.8 million.

The City's final budget estimated a net increase in fund balance of the General Fund of $1.4 million for the year ended September 30, 2024. The actual change in fund balance was an increase of $1.8 million, a favorable variance of $3.2 million. The City had a favorable variance of $0.1 million between actual revenues and budgeted revenues due to higher collections of various revenue sources. The City also had a favorable variance of $2.8 million between budgeted expenditures and actual expenditures due primarily to unanticipated savings in streets, engineering and planning and facilities maintenance.

Capital Assets and Debt Administration

Capital Assets. At the end of the current fiscal year 2024, the City's governmental activities and business-type activities had invested $101.9 million and $57.1 million, respectively, in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents a net increase of $8.2 million or 8.8% over the end of last fiscal year for governmental activities and an increase of $11.2 million or 24.3% for business-type activities.

City of Tomball, Texas Capital Assets
(net of depreciation and amortization)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Land	$ 7,982,088	$ 7,982,088	$ 1,897,333	$ 1,897,333	$ 9,879,421	$ 9,879,421
Construction in progress	4,947,565	2,350,623	10,894,777	3,702,038	15,842,342	6,052,661
Buildings and improvements	8,075,863	5,821,129	-	-	8,075,863	5,821,129
Gas system	-	-	4,431,060	3,683,921	4,431,060	3,683,921
Water and wastewater system	-	-	37,217,930	34,635,102	37,217,930	34,635,102
Machinery and equipment	2,001,457	1,721,237	2,704,212	2,037,512	4,705,669	3,758,749
Vehicles	4,327,983	3,049,747	-	-	4,327,983	3,049,747
Infrastructure	74,229,542	72,525,175	-	-	74,229,542	72,525,175
Right-to-use lease assets	185,928	15,251	-	-	185,928	15,251
Right-to-use subscription assets	146,091	198,739	-	-	146,091	198,739
Totals	$ 101,896,517	$ 93,663,989	$ 57,145,312	$ 45,955,906	$ 159,041,829	$ 139,619,895

The overall increase in capital assets for governmental activities is due primarily to $5.4 million of additions to construction in progress related to on-going drainage and street projects and $3.5 million of infrastructure contributions from private developers of master planned communities.

The overall increase in capital assets for business-type activities is due primarily to $9.9 million of additions to construction in progress related to on-going utility infrastructure projects and $2.4 million of utility infrastructure contributions from private developers of master planned communities.

Additional information on the City's capital assets can be found in Note 5 to the basic financial statements.

Long-term Debt. At the end of the current fiscal year, the City reported total long-term liabilities of $86.2 million. The City had bonds payable of $66.9 million ($69.7 million, net of premiums). Of this amount, $10.6 million was general obligation refunding debt and $56.3 million represents certificates of obligation. The City's other long-term liabilities include its contractual obligations, leases payable, subscriptions payable, compensated absences, landfill post closure care costs, arbitrage liability and net pension and total other post employments benefits liabilities.

City of Tomball, Texas Long-term Liabilities Outstanding

	Governmental Activities		Business-type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Certificates of obligation	$ 56,305,000	$ 30,235,000	$ -	$ -	$ 56,305,000	$ 30,235,000
General obligation refunding bonds	10,610,000	11,695,000	-	-	10,610,000	11,695,000
Unamortized premiums	2,779,140	2,080,471	-	-	2,779,140	2,080,471
Public property finance contractual obligations	649,868	779,868	-	-	649,868	779,868
Leases payable	185,555	14,549	-	-	185,555	14,549
Subscriptions payable	156,179	202,744	-	-	156,179	202,744
Compensated absences	2,169,894	1,675,671	347,917	355,273	2,517,811	2,030,944
Landfill postclosure care costs	415,725	419,000	-	-	415,725	419,000
Arbitrage liability	785,701	155,008	-	-	785,701	155,008
Net pension liability	7,438,954	8,796,518	1,356,159	1,603,650	8,795,113	10,400,168
Total OPEB liability	2,453,534	2,366,659	560,120	553,415	3,013,654	2,920,074
Total	$ 83,949,550	$ 58,420,488	$ 2,264,196	$ 2,512,338	$ 86,213,746	$ 60,932,826

Bonded debt increased by $25.7 million (net of premiums) primarily as a result of issuance of $27.6 million in certificates of obligation during 2024, reduced by total debt service principal payments of $2.6 million.

The most recent ratings on bonded debt issued are as follows:

	Standard and Poor's	Moody's
General obligation bonds	AA+	
Certificates of obligation	AA+	Aa2

Additional information on the City's long-term debt can be found in Note 6 to the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

The City continues to focus on economic development initiatives, including the revitalization of historic Old Town Tomball and commercial businesses. Construction of a 240 acre industrial development is underway and multiple large commercial developments are beginning construction. The City is also experiencing significant residential growth with the development of 1,000 homes currently underway. Taxable values for tax year 2024 (fiscal year 2025) grew 7.3% over prior year, which is attributed to the residential and commercial growth.

On September 16, 2024, City Council adopted a $168 million operating budget for fiscal year 2025. The City's largest source of revenue is sales tax, which has experienced steady increases compared to prior years. The fiscal year 2025 budget included a property tax rate of $0.336365 per $100 of valuation, which was an increase of $0.043045 or 14.7% compared to fiscal year 2024. The City expects to maintain a stabilized property tax rate due to increases in the taxable valuation.

During fiscal year 2024, the City completed a utility cost of service study to evaluate the current rates and overall rate structure. The results of the study indicated that incremental rate increases are needed starting in fiscal year 2025 to support debt service related to utility capital projects. Annually, the City reviews and updates other fees and service charges to ensure cost recovery.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the resources it receives. Questions concerning this report or requests for additional financial information should be directed to phone (281) 290-1417 or:

Finance Department
501 James Street
Tomball, Texas 77375

Or for general City information, please visit the City's website at https://www.tomballtx.gov .

Basic Financial Statements

THE CITY OF TOMBALL, TEXAS

FOUNDED 1907

City of Tomball, Texas

Statement of Net Position

September 30, 2024

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Tomball Economic Development Corporation
ASSETS				
Cash and cash equivalents	$ 46,712,569	$ 16,449,465	$ 63,162,034	$ 25,701,087
Investments	3,910,594	-	3,910,594	1,973,222
Receivables, net of allowance	4,889,744	2,081,104	6,970,848	1,831,725
Lease receivable	-	-	-	484,554
Due from other governments	881,309	-	881,309	-
Due from component unit	274,247	-	274,247	-
Due from fiduciary	26,606	-	26,606	-
Internal balances	(1,089,265)	1,089,265	-	-
Prepaid Items	373,142	-	373,142	16,902
Restricted cash and cash equivalents	51,386,144	830,453	52,216,597	-
Capital assets - nondepreciable	12,929,653	12,792,110	25,721,763	1,867,264
Capital assets - depreciable, net	88,966,864	44,353,202	133,320,066	7,185,821
Total assets	209,261,607	77,595,599	286,857,206	39,060,575
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	3,376,580	615,568	3,992,148	-
Other post employment benefits	388,937	144,333	533,270	-
Total deferred outflows of resources	3,765,517	759,901	4,525,418	-
Total assets and deferred outflows of resources	213,027,124	78,355,500	291,382,624	39,060,575
LIABILITIES				
Accounts payable	2,723,074	1,107,296	3,830,370	67,318
Accrued liabilities	581,388	116,162	697,550	-
Deposits payable	16,660	830,453	847,113	10,869
Unearned revenue	1,268,142	-	1,268,142	-
Due to primary government	-	-	-	274,247
Accrued interest payable	363,144	-	363,144	-
Noncurrent liabilities:				
Due within one year	4,240,034	153,180	4,393,214	-
Due in more than one year	79,709,516	2,111,016	81,820,532	-
Total liabilities	88,901,958	4,318,107	93,220,065	352,434
DEFERRED INFLOWS OF RESOURCES				
Pensions	281,442	51,308	332,750	-
Other post employment benefits	633,164	191,776	824,940	-
Leases	-	-	-	446,678
Total deferred inflows of resources	914,606	243,084	1,157,690	446,678
Total liabilities and deferred inflows of resources	89,816,564	4,561,191	94,377,755	799,112
NET POSITION				
Net investment in capital assets	81,088,160	57,145,312	138,233,472	9,053,085
Restricted for				
Debt service	2,035,510	-	2,035,510	-
Court security	235,430	-	235,430	-
Court technology	144,949	-	144,949	-
Hotel occupancy tax	1,264,510	-	1,264,510	-
Child safety	34,334	-	34,334	-
Grants	14,757	-	14,757	-
Unrestricted	38,392,910	16,648,997	55,041,907	29,208,378
TOTAL NET POSITION	$ 123,210,560	$ 73,794,309	$ 197,004,869	$ 38,261,463

The Notes to the Basic Financial Statements are an integral part of this statement.

City of Tomball, Texas

Statement of Activities

For the Fiscal Year Ended September 30, 2024

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities				
General government	$ 12,138,136	$ 609,142	$ 54,954	$ 6,540,037
Public safety	15,137,533	3,497,848	8,322	-
Public works	7,367,202	2,614,469	-	-
Parks and recreation	1,046,241	-	-	-
Tourism and arts	771,354	-	-	-
Community development	798,111	1,641,279	-	-
Interest and fiscal agent fees	3,467,587	-	-	-
Total governmental activities	40,726,164	8,362,738	63,276	6,540,037
Business-type activities				
Utility administration	2,479,184	3,968,476	-	-
Water	6,189,726	7,956,169	-	1,611,418
Wastewater	2,649,226	3,464,656	-	656,762
Gas	2,693,821	4,201,767	-	152,462
Total business-type activities	14,011,957	19,591,068	-	2,420,642
Total primary government	$ 54,738,121	$ 27,953,806	$ 63,276	$ 8,960,679
COMPONENT UNIT				
Tomball Economic Development Corporation	3,342,700	324,711	-	-
	$ 3,342,700	$ 324,711	$ -	$ -

GENERAL REVENUES

Taxes:

Property taxes

Sales taxes

Franchise and other taxes

Gain on sale of capital assets

Contributions not restricted to specific programs

Special assessments

Unrestricted investment earnings

Other

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year

Restatement of beginning balance - error correction

NET POSITION, beginning of year - restated

NET POSITION, end of year

The Notes to the Basic Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Tomball Economic Development Corporation
$ (4,934,003)	$ -	$ (4,934,003)	$ -
(11,631,363)	-	(11,631,363)	-
(4,752,733)	-	(4,752,733)	-
(1,046,241)	-	(1,046,241)	-
(771,354)	-	(771,354)	-
843,168	-	843,168	-
(3,467,587)	-	(3,467,587)	-
(25,760,113)	-	(25,760,113)	-
-	1,489,292	1,489,292	-
-	3,377,861	3,377,861	-
-	1,472,192	1,472,192	-
-	1,660,408	1,660,408	-
-	7,999,753	7,999,753	-
$ (25,760,113)	$ 7,999,753	$ (17,760,360)	$ -
-	-	-	(3,017,989)
$ -	$ -	$ -	$ (3,017,989)
9,269,398	-	9,269,398	-
17,809,919	-	17,809,919	5,878,329
1,803,425	-	1,803,425	-
248,537	2,436	250,973	-
793,235	-	793,235	-
2,296,022	-	2,296,022	-
5,423,525	649,400	6,072,925	1,352,728
386,171	322,059	708,230	-
(2,499,332)	2,499,332	-	-
35,530,900	3,473,227	39,004,127	7,231,057
9,770,787	11,472,980	21,243,767	4,213,068
113,439,773	62,321,329	175,761,102	36,130,223
-	-	-	(2,081,828)
113,439,773	62,321,329	175,761,102	34,048,395
$ 123,210,560	$ 73,794,309	$ 197,004,869	$ 38,261,463

City of Tomball, Texas
Balance Sheet - Governmental Funds
September 30, 2024

	General Fund	Debt Service Fund
ASSETS		
Cash and cash equivalents	$ 25,593,157	$ 2,329,691
Investments	3,910,594	-
Receivables, net of allowance	3,495,383	-
Due from other governments	792,248	-
Due from component unit	192,925	55,856
Due from fiduciary	26,606	-
Prepaid Items	31,473	-
Restricted cash and cash equivalents - deposits	16,660	-
Restricted cash and cash equivalents - construction	-	-
TOTAL ASSETS	$ 34,059,046	$ 2,385,547
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	$ 1,156,646	$ 10,550
Accrued liabilities	578,956	-
Deposits payable	16,660	-
Unearned revenue	-	-
Total liabilities	1,752,262	10,550
FUND BALANCES		
Nonspendable:		
Prepaid items	31,473	-
Restricted:		
Debt service	-	2,374,997
Construction	-	-
Court security	-	-
Court technology	-	-
Hotel occupancy tax	-	-
Child safety	-	-
Grants	-	-
Committed:		
City programs	-	-
Construction	-	-
Assigned:		
Special projects	45,821	-
Unassigned	32,229,490	-
Total fund balances	32,306,784	2,374,997
TOTAL LIABILITIES AND FUND BALANCES	$ 34,059,046	$ 2,385,547

The Notes to the Basic Financial Statements are an integral part of this statement.

	Capital Projects Fund	State and Federal Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
	$ 10,503,753	$ 1,269,917	$ 1,839,078	$ 41,535,596
	-	-	-	3,910,594
	1,394,361	-	-	4,889,744
	-	-	-	792,248
	-	-	-	248,781
	-	-	-	26,606
	-	-	-	31,473
	-	-	-	16,660
	51,369,484	-	-	51,369,484
	$ 63,267,598	$ 1,269,917	$ 1,839,078	$ 102,821,186
	$ 1,492,099	$ -	$ 14,642	$ 2,673,937
	-	-	2,432	581,388
	-	-	-	16,660
	-	1,255,160	12,982	1,268,142
	1,492,099	1,255,160	30,056	4,540,127
	-	-	-	31,473
	-	-	-	2,374,997
	49,877,385	-	-	49,877,385
	-	-	235,430	235,430
	-	-	144,949	144,949
	-	-	1,264,510	1,264,510
	-	-	34,334	34,334
	-	14,757	-	14,757
	-	-	129,799	129,799
	11,898,114	-	-	11,898,114
	-	-	-	45,821
	-	-	-	32,229,490
	61,775,499	14,757	1,809,022	98,281,059
	$ 63,267,598	$ 1,269,917	$ 1,839,078	$ 102,821,186

City of Tomball, Texas
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
September 30, 2024

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		$ 98,281,059
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources, and therefore are not reported in the governmental funds balance sheet.		
Capital assets, cost	$ 130,353,507	
Capital assets, accumulated depreciation	(33,145,821)	97,207,686
Long-term liabilities are not due and payable in the current period, and therefore are not reported in the fund financial statements. The components of long-term liabilities are:		
Bonds payable, par	$ (66,915,000)	
Bonds payable, premiums	(2,779,140)	
Leases payable	(185,555)	
Subscriptions payable	(156,179)	
Accrued interest payable	(339,487)	
Landfill post closure care costs	(415,725)	
Compensated absences payable	(2,169,894)	
Arbitrage liability	(785,701)	
Net pension liability	(7,438,954)	
Total OPEB liability	(2,453,534)	(83,639,169)
The deferred outflows and inflows of resources related to the net pension liability and the total OPEB liability are recognized on the statement of net position:		
Deferred outflows - pensions	$ 3,376,580	
Deferred outflows - OPEB	388,937	
Deferred inflows - pensions	(281,442)	
Deferred inflows - OPEB	(633,164)	2,850,911
Internal service funds are used by management to charge the cost of certain activities, such as fleet management and health benefits, to individual funds. A portion of the assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.		8,510,073
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		$ 123,210,560

The Notes to the Basic Financial Statements are an integral part of this statement.

City of Tomball, Texas

Statement of Revenues, Expenditures, and Changes
in Fund Balances - Governmental Funds
For the Fiscal Year Ended September 30, 2024

	General Fund	Debt Service Fund
REVENUES		
Property tax	$ 5,600,099	$ 3,367,755
Sales tax	17,809,919	-
Franchise and other taxes	987,012	-
Licenses and permits	1,641,279	-
Fines and forfeitures	353,821	-
Charges for services	5,907,274	-
Intergovernmental	63,276	-
Special assessments	-	-
Contributions from component unit for debt service	-	768,235
Investment earnings	1,792,820	84,782
Impact fees	-	-
Capital contributions from developers	-	-
Other	182,777	-
Total revenues	34,338,277	4,220,772
EXPENDITURES		
Current:		
General government	10,448,535	-
Public safety	13,646,340	-
Public works	6,759,231	-
Parks and recreation	961,765	-
Tourism and arts	-	-
Community development	728,241	-
Debt service:		
Principal	64,638	2,605,000
Interest	10,530	2,352,594
Issuance costs and fiscal agent fees	-	685,852
Capital outlay	711,659	-
Total expenditures	33,330,939	5,643,446
Excess (deficiency) of revenues over (under) expenditures	1,007,338	(1,422,674)
OTHER FINANCING SOURCES (USES)		
Issuance of certificates of obligation	-	660,957
Premium on issuance of bonds	-	-
Issuance of leases	189,079	-
Proceeds from sale of capital assets	62,604	-
Insurance recoveries	172,521	-
Transfers in	2,500,000	-
Transfers out	(2,126,000)	-
Total other financing sources (uses)	798,204	660,957
Net change in fund balances	1,805,542	(761,717)
Fund balances, beginning of year	30,501,242	3,136,714
FUND BALANCES, END OF YEAR	$ 32,306,784	$ 2,374,997

The Notes to the Basic Financial Statements are an integral part of this statement.

Capital Projects Fund	State and Federal Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ -	$ 301,544	$ 9,269,398
-	-	-	17,809,919
-	-	816,413	1,803,425
-	-	-	1,641,279
-	-	34,800	388,621
-	-	-	5,907,274
750,000	250,850	-	1,064,126
-	-	2,296,022	2,296,022
-	-	-	768,235
3,278,007	-	59,494	5,215,103
453,361	-	-	453,361
2,013,962	-	-	2,013,962
15,008	-	122,985	320,770
6,510,338	250,850	3,631,258	48,951,495
-	250,850	2,635,667	13,335,052
-	-	17,597	13,663,937
-	-	-	6,759,231
-	-	-	961,765
-	-	771,354	771,354
-	-	-	728,241
-	-	-	2,669,638
-	-	-	2,363,124
-	-	-	685,852
15,108,148	-	-	15,819,807
15,108,148	250,850	3,424,618	57,758,001
(8,597,810)	-	206,640	(8,806,506)
26,929,043	-	-	27,590,000
1,070,957	-	-	1,070,957
-	-	-	189,079
-	-	-	62,604
-	-	-	172,521
6,668,486	-	126,000	9,294,486
-	-	-	(2,126,000)
34,668,486	-	126,000	36,253,647
26,070,676	-	332,640	27,447,141
35,704,823	14,757	1,476,382	70,833,918
$ 61,775,499	$ 14,757	$ 1,809,022	$ 98,281,059

City of Tomball, Texas

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended September 30, 2024

Net change in fund balances - total governmental funds		$ 27,447,141
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. This is the amount of capital asset additions recorded in the current period.		15,840,468
Depreciation expense on capital assets is reported in the statement of activities, but does not require the use of current financial resources. Therefore, depreciation/amortization expense is not reported as expenditures in the governmental funds.		(2,949,644)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, transfers, non-cash capital asset contributions) is not reported in the governmental funds.		(6,142,593)
The issuance of long term debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items was:		
Proceeds from issuance of certificates of obligation	$ (27,590,000)	
Premiums on bonds issued	(1,070,957)	
Issuance of leases	(189,079)	
Amortization of premium on bonds payable	372,288	
Accrued interest payable increased	(135,934)	
Principal paid on bonds and other debt	2,669,638	(25,944,044)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The following long-term liabilities (increased) / decreased:		
Landfill post closure care costs	$ 3,275	
Compensated absences	(494,223)	
Arbitrage liability	(630,693)	
Net pension liability	1,357,564	
Total OPEB liability	(86,875)	149,048
Some deferred outflows and deferred inflows reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds. The following deferred outflows and deferred inflows of resources changed:		
Deferred outflows of resources - pensions	$ (1,088,415)	
Deferred outflows of resources - OPEB	15,184	
Deferred inflows of resources - pensions	(281,442)	
Deferred inflows of resources - OPEB	242,965	(1,111,708)
An internal service fund is used by management to charge the cost of certain activites, such as fleet management and health benefits, to individual funds. A portion of the change in the net position of the internal service funds is included in governmental activities in the statement of activities.		2,482,119
Change in net position - governmental activities		$ 9,770,787

The Notes to the Basic Financial Statements are an integral part of this statement.

City of Tomball, Texas
Statement of Net Position
Proprietary Funds
September 30, 2024

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	$ 16,449,465	$ 5,176,973
Receivables, net of allowance	2,081,104	-
Due from other governments	-	89,061
Due from component unit	-	25,466
Prepaid Items	-	341,669
Total current assets	18,530,569	5,633,169
Noncurrent assets:		
Restricted cash and cash equivalents - deposits	830,453	-
Capital assets:		
Capital assets - nondepreciable	12,792,110	-
Capital assets - depreciable, net	44,353,202	4,688,831
Net capital assets	57,145,312	4,688,831
Total noncurrent assets	57,975,765	4,688,831
Total assets	76,506,334	10,322,000
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	615,568	-
Other post employment benefits	144,333	-
Total deferred outflows of resources	759,901	-
Total assets and deferred outflows of resources	77,266,235	10,322,000
LIABILITIES		
Current liabilities		
Accounts payable	1,107,296	49,137
Accrued liabilities	116,162	-
Deposits payable	830,453	-
Accrued interest payable	-	23,657
Public property finance contract obligation, current	-	130,000
Compensated absences, current	104,375	-
Total OPEB liability, current	48,805	-
Total current liabilities	2,207,091	202,794
Noncurrent liabilities		
Public property finance contract obligation	-	519,868
Compensated absences	243,542	-
Net pension liability	1,356,159	-
Total OPEB liability	511,315	-
Total noncurrent liabilities	2,111,016	519,868
Total liabilities	4,318,107	722,662
DEFERRED INFLOWS OF RESOURCES		
Pensions	51,308	-
Other post employment benefits	191,776	-
Total deferred inflows of resources	243,084	-
Total liabilities and deferred inflows of resources	4,561,191	722,662
NET POSITION		
Net investment in capital assets	57,145,312	4,038,963
Unrestricted	15,559,732	5,560,375
TOTAL NET POSITION	72,705,044	$ 9,599,338
Reconciliation to government-wide statement of net position		
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise fund over time	1,089,265	
NET POSITION OF BUSINESS-TYPE ACTIVITIES	$ 73,794,309	

The Notes to the Basic Financial Statements are an integral part of this statement.

City of Tomball, Texas

Statement of Revenues, Expenses, and Changes
in Net Position - Proprietary Funds
For the Fiscal Year Ended September 30, 2024

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Fund
OPERATING REVENUES		
Charges for sales and services:		
Water sales	$ 7,956,169	$ -
Sewer sales	3,464,656	-
Gas sales	4,201,767	-
Internal service charges	-	7,092,740
Impact fees	3,968,476	-
Other	322,059	-
Total operating revenues	19,913,127	7,092,740
OPERATING EXPENSES		
Personnel services	2,934,612	-
Materials, supplies and contracted services	9,762,984	3,599,676
Depreciation and amortization	1,875,552	709,920
Total operating expenses	14,573,148	4,309,596
Operating income	5,339,979	2,783,144
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	649,400	208,422
Gain (loss) on disposal of capital assets	2,436	76,016
Interest	-	(24,272)
Total nonoperating revenues (expenses)	651,836	260,166
Income before transfers and capital contributions	5,991,815	3,043,310
Capital asset contributions from governmental activities	9,667,818	-
Capital asset contributions from developers	2,420,642	-
Transfers out	(7,168,486)	-
Change in net position	10,911,789	3,043,310
Net position, beginning of year	61,793,255	6,556,028
NET POSITION, END OF YEAR	$ 72,705,044	$ 9,599,338
RECONCILIATION TO GOVERNMENT-WIDE STATEMENT OF ACTIVITIES		
Change in net position	$ 10,911,789	
Adjustment for the net effect of the current year activity between the internal service fund and the enterprise fund	561,191	
CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES	$ 11,472,980	

The Notes to the Basic Financial Statements are an integral part of this statement.

City of Tomball, Texas
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2024

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Fund
OPERATING ACTIVITIES		
Receipts from customers	$ 19,849,823	$ -
Receipts from interfund charges	-	7,080,402
Other receipts	322,059	-
Payments to suppliers and service providers	(9,481,710)	(3,623,367)
Payments to employees for salaries and benefits	(2,959,084)	-
Net cash provided by operating activities	7,731,088	3,457,035
NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	(2,500,000)	-
Net cash used for noncapital financing activities	(2,500,000)	-
CAPITAL AND RELATED FINANCING ACTIVITIES		
Transfers to other funds for capital acquisition	(4,668,486)	-
Acquisition and construction of capital assets	(1,247,984)	(2,194,217)
Proceeds from sale of capital assets	273,922	76,016
Principal paid on long-term debt	-	(130,000)
Interest paid on long-term debt	-	(29,006)
Net cash used for capital and related financing activities	(5,642,548)	(2,277,207)
INVESTING ACTIVITIES		
Interest received	649,400	208,422
Net cash provided by investing activities	649,400	208,422
Net change in cash and cash equivalents	237,940	1,388,250
Cash and cash equivalents, beginning of year	17,041,978	3,788,723
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 17,279,918	$ 5,176,973
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION		
Cash and cash equivalents	$ 16,449,465	$ 5,176,973
Restricted cash and cash equivalents	830,453	-
CASH AND CASH EQUIVALENTS	$ 17,279,918	$ 5,176,973

The Notes to the Basic Financial Statements are an integral part of this statement.

City of Tomball, Texas

Statement of Cash Flows - Continued
Proprietary Funds
For the Fiscal Year Ended September 30, 2024

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Fund
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 5,339,979	$ 2,783,144
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,875,552	709,920
(Increase) decrease in assets and deferred outflows		
Accounts receivable	167,573	-
Due from other governments	-	(11,857)
Other receivables	-	(481)
Prepaid items	-	(37,337)
Deferred outflows of resources - pension and OPEB	141,437	-
Increase (decrease) in liabilities and deferred inflows		
Accounts payable	281,274	13,646
Accrued liabilities	40,594	-
Deposits payable	91,182	-
Compensated absences	(7,356)	-
Pension and OPEB liability	(240,786)	-
Deferred inflows of resources - pension and OPEB	41,639	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 7,731,088	$ 3,457,035
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital asset contributions from governmental activities	$ 9,667,818	$ -
Capital asset contributions from developers	$ 2,420,642	$ -

The Notes to the Basic Financial Statements are an integral part of this statement.

City of Tomball, Texas
Statement of Fiduciary Net Position
Fiduciary Fund
September 30, 2024

		Public Improvement Districts Custodial Fund
ASSETS		
Current assets:		
Cash and cash equivalents	$	2,523,477
Restricted cash and cash equivalents - construction		1,322,036
Total assets		3,845,513
LIABILITIES		
Current liabilities:		
Accounts payable		10,073
Due to other governments		26,606
Total liabilities		36,679
NET POSITION		
Restricted for property owners		3,808,834
TOTAL NET POSITION	$	3,808,834

The Notes to the Basic Financial Statements are an integral part of this statement.

City of Tomball, Texas

Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended September 30, 2024

	Public Improvement Districts Custodial Fund
ADDITIONS	
Special assessments	$ 2,169,374
Contributions from property owners	2,897,840
Capital contributions from developers	95,000
Investment earnings	69,604
Other	8,427
Total additions	5,240,245
DEDUCTIONS	
Materials, supplies and contracted services	951,147
Payments to bondholders	1,169,478
Payments to developers	6,166,482
Total deductions	8,287,107
Change in net position	(3,046,862)
Net position, beginning of year	6,855,696
NET POSITION, END OF YEAR	$ 3,808,834

The Notes to the Basic Financial Statements are an integral part of this statement.

Note 1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of Tomball, Texas, (the "City") was incorporated on July 18, 1933. The City has operated under a "Home Rule Charter", which provides for a Council-City Manager form of government, since 1987. The City Council is the principle legislative body of the City.

The City Manager is appointed by a majority vote of the City Council and is responsible to the 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; municipal court; streets; drainage; water, wastewater and gas services; solid waste collection and disposal; recreation, tourism and community development; and general administration.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by accounting principles generally accepted in the United States of America (GAAP), 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 utilizing criteria prescribed by GAAP. 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 GAAP 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.

The Tomball Economic Development Corporation, Employee Benefits Trust, and Tomball Legacy Fund, Inc., although legally separate organizations, are considered part of the reporting entity. No other entities have been included in 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.

Discretely Presented Component Unit

Tomball Economic Development Corporation
The Tomball Economic Development Corporation (the Corporation) was formed in 1994 pursuant to the *Development Corporation Act of 1979* (the Act), governed under Section 4B of the Act. It receives and utilizes the proceeds of a one-half cent sales tax to promote and assist in the economic development of the City. The seven directors of the Corporation are appointed by the governing body of the City. Directors are removable by the governing body of the City at any time without cause. Separately issued audited financial statements are not available for the Corporation. Financial information for the Corporation may be obtained from the following address:

Tomball Economic Development Corporation
29201 Quinn Road, Suite B
Tomball, Texas 77375

Blended Component Units

Employee Benefits Trust
The Employee Benefits Trust (the Trust) has been included in the reporting entity as a blended component unit. The Trust is a revocable trust and a not-for-profit entity and is organized under Section 222.002(c)(5) of the Texas Insurance Code. The Trust's Board of Trustees are the members of City Council. The Trust is organized for the purpose of providing or offering City officers, employees, and qualified retirees and their dependents with life, disability, sickness, accident, and other health benefits either directly or through the purchase of insurance. The operations of the Trust are presented as a proprietary fund type in the Health Benefits internal service fund. The Trust does not issue separate financial statements.

Tomball Legacy Fund, Inc.
Tomball Legacy Fund, Inc. has been included in the reporting entity as a blended component unit. Tomball Legacy Fund, Inc. is a not-for-profit 501(c)3 foundation managed by a seven-member Board of Directors consisting of the Mayor and City Council of the City of Tomball, plus one appointed individual. Tomball Legacy Fund, Inc. was established to allow the City to receive private and corporate grant funds to be used on behalf of the City. The operations of Tomball Legacy Fund, Inc. are presented as a governmental fund type in a special revenue fund. Tomball Legacy Fund, Inc. does not issue separate financial statements.

B. Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information about the City as a whole. These statements include all activities of the primary government and its discretely presented 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 discretely presented component units for which the primary government is financially accountable.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column in the government-wide financial statements incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise fund.

As a general rule, the effect of interfund activity has been eliminated from the government-wide 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 business-type and governmental activities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

C. Fund Financial Statements

The fund financial statements provide information about the City’s funds, including its blended component units. Separate statements for each fund category—governmental, proprietary and fiduciary—are presented, even though the latter are excluded from the government-wide financial statements. 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.

Governmental funds are those funds through which most governmental functions are typically financed.

The City reports the following major governmental funds:

The *General Fund* is used to account for all financial transactions not reported in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, parks and recreation, community development, debt service and capital outlay.

The *Debt Service Fund* is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The principal source of revenue for debt service is local property taxes.

The *Capital Projects Fund* is used to account for the expenditures of resources accumulated from the sale of bonds, appropriations of local resources from other funds and related interest earnings for capital improvement projects within the City.

The *State and Federal Grants Fund* is used to account for the expenditures of resources awarded or provided for state and federal grant programs.

In addition, the City reports the following nonmajor fund types:

Special revenue funds are governmental funds used to account for the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specific purposes other than debt service or capital projects. The City's special revenue funds are aggregated and reported as nonmajor funds.

Proprietary funds are used to account for activities that are similar to those often found in the private sector, and include all assets, liabilities, deferred outflows and inflow of resources, net position, revenues, expenses and interfund transfers related to enterprise funds and internal service funds.

The City reports the following proprietary funds:

The *Enterprise Fund* is a major fund used to account for the City's water, wastewater and gas operations. 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 and amortization) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges.

The *Internal Service Fund* is a type of proprietary fund used to account for the financing of goods or services provided by one department or program to other departments or programs of the City on a cost-reimbursement basis. Goods and services provided by the internal service fund include fleet replacement and employee health benefits.

The City reports the following fiduciary funds:

The *Public Improvement Districts (PIDs) Custodial Fund* accounts for special assessment collections and proceeds from special assessment bonds use to service debt on the special assessment bonds issued by the City as the custodian for the PIDs within the City. Private developer contributions and bond proceeds associated with the debt issuance are also recorded here until project completion, when the developer will convey the infrastructure assets to the City.

D. 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, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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. "Measurable" means that the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City generally 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 required under accrual accounting. However, debt service expenditures, including lease liabilities, as well as expenditures related to compensated absences, and claims and judgments, postemployment benefits and environmental obligations, 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 are recognized in the year they are levied. Interest associated with the current period is considered to be susceptible to accrual, and has been recognized as revenues of the current 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. 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. All other revenue items, including property taxes, are considered to be measurable and available only when cash is received by the City.

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

1. Cash and Cash Equivalents
The City's cash and cash equivalents are considered to be cash on hand, bank demand or time deposits, money market mutual funds and local government investment pools with original maturities of three months or less from the date of acquisition. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost or net asset value. 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.

2. Investments
Investments for the City are reported at fair value.

3. Restricted Cash and Investments
The City has restricted certain cash and investments for refundable customer deposits. The remaining unspent proceeds from bonded debt are restricted in the capital projects fund.

4. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the Enterprise Fund are recognized at the end of each fiscal year on a pro rata basis, based on billings during the month following the close of the fiscal year.

5. Prepaid Items

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

6. Capital Assets

Capital assets, including land, construction in progress, buildings and improvements, machinery and equipment, vehicles, right-to-use assets, infrastructure (e.g., roads, bridges and similar items) and water, wastewater and gas system, are reported in the applicable governmental or business-type activities column in the government-wide financial statements and are reported in the proprietary fund statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $20,000, and an estimated useful life in excess of one year.

In the case of the initial capitalization of infrastructure assets, the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of some of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Land and construction in progress are not depreciated. The remaining capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

Capital Asset Classification	Estimated Useful Life
Buildings and improvements	20 to 50 years
Machinery and equipment	3 to 40 years
Vehicles	3 to 15 years
Infrastructure	40 to 50 years
Water, wastewater and gas system	20 to 40 years
Right-to-use assets	Shorter of term or useful life

7. Leases

<u>Lessee</u>

The City is a lessee for noncancellable leases of property and equipment. The City recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset (lease asset), reported with other capital assets, in the government-wide and proprietary fund financial statements. The City recognizes lease liabilities with an initial, individual value of $20,000 or more.

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

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

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, purchase option price that the City is reasonably certain to exercise, lease incentives receivable from the lessor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

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

Lessor
The City is a lessor for noncancellable leases of property and equipment. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide 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 related to leases 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 payments included in the measurement of the lease receivable are composed of fixed payments from the lessee, variable payments from the lessee that are fixed in substance or that depend on an index or a rate, residual value guarantee payments from the lessee that are fixed in substance, and any lease incentives that are payable to the lessee.

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

8. Subscription-Based Information Technology Arrangements (SBITAs)
The City has noncancellable contracts with SBITA vendors for the right to use information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets). The City recognizes a subscription liability, reported with long-term debt, and a right-to-use subscription asset (an intangible asset), reported with other capital assets, in the government-wide and proprietary fund financial statements. The City recognizes subscription liabilities with an initial, individual value of $20,000 or more.

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

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

- The City uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The subscription term includes the noncancellable period of the SBITA.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, termination penalties if the City is reasonably certain to exercise such options, subscription contract incentives receivable from the SBITA vendor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

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

9. Deferred Outflows/Inflows of Resources
Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

The City has the following items that qualify for reporting in these categories:

- Deferred outflows of resources - contributions to the pension and OPEB plans after the measurement date of each plan are recognized as reductions of the applicable liability in the subsequent year.
- Deferred outflows/inflows of resources from other pension and OPEB activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and OPEB plan, except for projected and actual earnings differences on investments which are amortized on a closed basis over a 5-year period.
- Deferred inflows of resources from leases are amortized over the life of the lease.

10. Compensated Absences
The City's policy permits employees to accumulate earned but unused vacation, sick and compensatory time benefits. Eligible time accumulated, up to certain limits, may be paid to employees upon separation from service.

The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

11. Landfill Post-Closure Care Costs
The City reports municipal solid waste landfill costs in accordance with Governmental Accounting Standards Board (GASB) Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Post-Closure Care Costs*. The liability for landfill post-closure costs is reported as long-term debt.

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

13. Other Postemployment Benefits
The City participates in two single-employer defined benefit other postemployment benefit (OPEB) plans (the Plans). For purposes of measuring the total OPEB liability, OPEB related deferred outflows and inflows of resources, and OPEB expense have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms for the Plans.

14. Net Position Policies
Net position within the government-wide, proprietary fund and custodial fund financial statements is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City classifies net position as follows:

> *Net investment in capital assets* – the component of net position that reports capital assets, net of accumulated depreciation and amortization, and net of related debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.
>
> *Restricted* - the component of net position that is constrained for specific purposes which are externally imposed by providers, such as creditors or amounts restricted due to constitutional provisions or enabling legislation.
>
> *Unrestricted* - the component of net position that includes the residual difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources that is not classified in the categories mentioned above.

15. 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.

16. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City classifies governmental fund balances as follows:

Nonspendable – includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes prepaid items and inventories, when applicable.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts restricted due to constitutional provisions or enabling legislation.

Committed – includes amounts that are constrained for specific purposes that are internally imposed by the City through 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 action or adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by City Council action or the resolution remains in place until a similar action is taken (the action or adoption of another resolution) to remove or revise the limitation.

Assigned – includes fund balance amounts that are self-imposed by the City to be used for specific purposes, but do not meet the criteria to be classified as nonspendable, restricted or committed. City Council has, by policy, authorized the City Manager or his/her designee to assign fund balance. 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 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.

Unassigned – includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. The general fund should be the only fund that reports a positive unassigned fund balance. Unassigned fund balance may also include deficit balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The City strives to maintain an unassigned fund balance of not less than 25 percent of the budgeted operational expenditures in all City funds. Due to the volatile nature of a majority of its revenues, it is not deemed excessive for the City to maintain an unassigned fund balance in the general fund at levels greater than 33 percent of the budgeted operational expenditures. The purpose of this unassigned balance is to alleviate significant unanticipated budget shortfalls and to ensure the orderly provisions of service to citizens. Should unassigned fund balance fall below the goal or have a deficiency, the City will seek to reduce expenditures prior to increasing revenues to replenish fund balance within a reasonable timeframe.

17. Fund Balance Flow Assumption
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.

F. Revenues and Expenditures / Expenses

1. 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.

2. Property Taxes
Property values are determined by the Harris County Appraisal District as of January 1 of each year. Prior to October 1 of each year, the City must adopt its annual budget and as soon thereafter as practicable, shall adopt a tax rate thus creating the tax levy. Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

3. Proprietary Fund Operating and Nonoperating Revenues and Expenses
Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund 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 enterprise funds 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.

G. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

H. Implementation of New Accounting Standards

GASB Statement No. 99, *Omnibus 2022* (GASB 99), enhances comparability in accounting and financial reporting and improves consistency of authoritative literature by addressing 1) practice issues that have been identified during implementation and application of certain GASB statements and 2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases were implemented in the City's fiscal year 2022 financial statements in conjunction with GASB 87. The requirements related to PPPs and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. These requirements for GASB 99 were implemented in the City's fiscal year 2023 financial statements in conjunction with GASB 94 and GASB 96. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. These requirements for GASB 99 were implemented in the City's fiscal year 2024 financial statements with no impact to amounts previously reported.

GASB Statement No. 100, *Accounting Changes and Error Corrections* (GASB 100), enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement 1) defines accounting changes and corrections of errors; 2) prescribes the accounting and financial reporting for each type of accounting change and error corrections; and 3) clarifies required note disclosures. The requirements of this statement are effective for reporting periods beginning after June 15, 2023, with earlier application encouraged. GASB 100 was implemented in the City's fiscal year 2024 financial statements with a beginning balance restatement in the government-wide statement of activities as described in Note 15.

I. Upcoming Accounting Pronouncements

GASB Statement No. 101, *Compensated Absences* (GASB 101), improves the information needs of financial statements users by updating the recognition and measurement guidance for compensated absences under a unified model and amending certain previously required disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2023, with earlier application encouraged. GASB 101 will be implemented in the City's fiscal year 2025 financial statements and the impact has not yet been determined.

GASB Statement No. 102, *Certain Risk Disclosures* (GASB 102), improves financial reporting by providing users of financial statements with essential information regarding certain concentrations of constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. The requirements of this statement are effective for reporting periods beginning after June 15, 2024, with earlier application encouraged. GASB 102 will be implemented in the City's fiscal year 2025 financial statements and the impact has not yet been determined.

GASB Statement No. 103, *Financial Reporting Model Improvements* (GASB 103), improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement also addresses certain application issues. The requirements of this statement are effective for reporting periods beginning after June 15, 2025, with earlier application encouraged. GASB 103 will be implemented in the City's fiscal year 2026 financial statements and the impact has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* (GASB 104), establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures. It also establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. The requirements of this statement are effective for reporting periods beginning after June 15, 2025, with earlier application encouraged. GASB 104 will be implemented in the City's fiscal year 2026 financial statements and the impact has not yet been determined.

Note 2. Stewardship, Compliance and Accountability

Budget

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, debt service fund, court security fund, court technology fund, hotel occupancy tax fund, child safety fund, public improvement districts fund, and tax increment reinvestment zone no. three fund. The capital projects funds and the state and federal grant major special revenue fund are appropriated on a project-length basis.

The original budget is adopted by the City Council prior to the beginning of the fiscal year. The legal level of budgetary control as defined by the City Charter is the department level in the general fund, and fund level for all other funds. The City Manager may transfer appropriations within departments without seeking approval from City Council.

Encumbrances

Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget. Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances.

As of September 30, 2024, the City had the following outstanding encumbrances within governmental funds that were re-appropriated in the subsequent year:

	Encumbrances Included in
Capital projects fund	$ 1,105,884
Total encumbrances	$ 1,105,884

Note 3. Deposits and Investments

A. Cash Deposits

The City's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas Public Funds Collateral Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the City's and the depository banks' agent bank. The pledged securities shall be in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Custodial Credit Risk - Cash 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. As of September 30, 2024, the City's bank balances were not exposed to custodial credit risk because they were fully insured and collateralized.

B. Investments

The Public Funds Investment Act (PFIA) (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity, allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

The City is authorized to invest in the following instruments provided that they meet the guidelines of the investment policy:

1. Obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009
2. Certificates of deposit and share certificates as permitted by Government Code 2256.010
3. Fully collateralized repurchase agreements permitted by Government Code 2256.011
4. Commercial paper as permitted by Government Code 2256.013
5. Public funds investment pools as permitted by Government Code 2256.016.

The Council has adopted a written investment policy regarding the investment of City funds as required by the PFIA. The City's investment policy is more restrictive than the PFIA requires. The City's investment policy does not allow investments in bankers' acceptances and money market mutual funds.

Cash, cash equivalents and investments as of September 30, 2024 are classified in the financial statements as follows:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents	Investments
Governmental funds	$ 41,535,596	$ 51,386,144	$ 3,910,594
Internal service fund	5,176,973	-	-
Total governmental activities	46,712,569	51,386,144	3,910,594
Enterprise fund	16,449,465	830,453	-
Total business-type activities	16,449,465	830,453	-
Total primary government	$ 63,162,034	$ 52,216,597	$ 3,910,594
Total discretely presented component unit	$ 25,701,087	$ -	$ 1,973,222

As of September 30, 2024, the City had the following cash, cash equivalents and investments:

	Amount	%	Fair Value Level 2	Weighted Average Maturity (Years)	Credit Risk Rating S&P	Credit Risk Rating Moodys
Primary Government						
Investments measured at fair value:						
Municipal bonds	$ 1,933,028	49%	$ 1,933,028	0.8	AA to AAA	Aa2 to Aaa
U.S. agency bonds	1,977,566	51%	1,977,566	1.0	AA+	Aaa
Total investments	$ 3,910,594	100%	$ 3,910,594	0.9		
Cash	$ 4,433,215					
Cash equivalents:						
Local government investment pools:						
TexPool	50,023,442				AAAm	
TexPool Prime	3,120,442				AAAm	
Texas CLASS	57,801,532				AAAm	
Total cash and cash equivalents	$ 115,378,631					
Discretely Presented Component Unit						
Investments measured at fair value:						
Municipal bonds	$ 995,591	50%	$ 995,591	0.2	AA+ to AAA	Aa1 to Aaa
U.S. agency bonds	977,631	50%	977,631	0.7	AA+	Aaa
Total investments	$ 1,973,222	100%	$ 1,973,222	0.5		
Cash	$ 164,239					
Cash equivalents:						
Local government investment pools:						
TexPool	24,446,480				AAAm	
Texas CLASS	1,090,368				AAAm	
Total cash and cash equivalents	$ 25,701,087					

Fair Value Measurement

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application*, provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Municipal bonds and U.S. agency bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Local Government Investment Pools
Local government investment pools are considered cash equivalents and are measured at either amortized cost or net asset value (NAV), depending on the valuation policies of the underlying portfolio.

TexPool and TexPool Prime
TexPool is duly chartered and overseen by the State Comptroller's Office, administered and managed by Federated Investors, Inc. State Street Bank serves as the custodial bank. The TexPool portfolio consists of U.S. Government securities; collateralized repurchase and reverse repurchase agreements; and AAA rated money market mutual funds. The TexPool Prime portfolio consists of these instruments as well as commercial paper and certificates of deposit.

TexPool and TexPool Prime transact at a net asset value of $1.00 per share, have a weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by a nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. The investment pools have a redemption notice period of one day and no maximum transaction amounts. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.

Texas Cooperative Liquid Asset Securities System Trust (Texas CLASS)
Texas CLASS was created in accordance with the requirements contained in section 2256.016 of the PFIA. The Texas CLASS Trust Agreement is an agreement of indefinite term regarding the investment, reinvestment, and withdrawal of local government funds. The parties to the Trust Agreement are Texas local government entities that choose to participate in the Trust (the Participants), Public Trust Advisors, LLC (Public Trust) as Program Administrator, and Wells Fargo Bank Texas, N.A. as Custodian.

Texas CLASS is an external investment pool measured at fair value, i.e. net asset value. The investment pool's strategy is to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. Texas CLASS has a redemption notice period of one day and may redeem daily. The investment pool's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pool's liquidity. The Texas CLASS portfolio consists of U.S. Government securities; collateralized repurchase and reverse repurchase agreements; AAA rated money market mutual funds; and commercial paper.

Interest Rate Risk
Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The City monitors interest rate risk utilizing weighted average maturity analysis and specific identification. In accordance with its investment policy, the City reduces its exposure to declines in fair values by limiting the weighted average maturity of any internally created pool to no more than 90 days and any individual investment not to exceed four years from the date of purchase, unless approved by the governing body. During the year ended September 30, 2024, the City did not invest in any securities which were highly sensitive to interest rate fluctuations.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The minimum rating required by the Public Funds Investment Act for local government investment pools is AAA or AAAm. Obligations of federal, state or local government securities and must be rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent. During the year ended September 30, 2024, the City was not significantly exposed to credit risk, and its investment pools, municipal bonds and U.S. agency bonds met the minimum required rating as noted in the preceding table.

Concentration of Credit Risk

The investment policy of the City requires the investment portfolio to be diversified in terms of investment instruments, maturity scheduling, and financial institutions in order to reduce the risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.

Custodial Credit Risk – Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, 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. To limit its exposure, the City's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party custodian.

Note 4. Receivables

Receivables at September 30, 2024, consist of the following:

	Governmental Activities					Business-Type Activities	
	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds	Internal Service Fund	Enterprise Fund	Tomball Economic Development Corporation
Property taxes	$ 196,246	$ 148,205	$ -	$ 344,451	$ -	$ -	$ -
Sales and other taxes	3,102,951	-	-	3,102,951	-	-	990,206
Utility receivable	661,495	-	-	661,495	-	2,666,101	-
Interest	-	-	-	-	-	-	2,417
Other	2,449	-	1,394,361	1,396,810	-	27,945	839,102
Due from other governments	792,248	-	-	792,248	89,061	-	-
Due from component unit	192,925	55,856	-	248,781	25,466	-	-
Due from fiduciary	26,606	-	-	26,606	-	-	-
Lease receivable	-	-	-	-	-	-	484,554
Less: allowance for uncollectibles	(467,758)	(148,205)	-	(615,963)	-	(612,942)	-
Totals	$ 4,507,162	$ 55,856	$ 1,394,361	$ 5,957,379	$ 114,527	$ 2,081,104	$ 2,316,279

Leases Receivable

The discretely presented component unit has entered into agreements with other parties to allow the right-to-use warehouse and office space. Lease receivables and deferred inflows at September 30, 2024, are reported within the government-wide statement of net position. Lease revenue of $324,711 was recognized in the statement of activities in the current year.

Note 5. Capital Assets

Changes in the capital assets for governmental activities for the year ended September 30, 2024, are summarized as follows:

	Beginning Balance	Increases	Decreases	Reclass and Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated or amortized:					
Land	$ 7,982,088	$ -	$ -	$ -	$ 7,982,088
Construction in progress	2,350,623	15,126,544	-	(12,529,602)	4,947,565
Total capital assets, not being depreciated or amortized	10,332,711	15,126,544	-	(12,529,602)	12,929,653
Capital assets, being depreciated or amortized:					
Buildings and improvements	11,684,116	203,676	-	2,343,901	14,231,693
Machinery and equipment	6,807,473	620,556	(86,758)	-	7,341,271
Vehicles	7,498,701	1,889,340	(397,106)	-	8,990,935
Infrastructure	90,834,371	3,530,715	-	517,883	94,882,969
Right-to-use lease assets - machinery and equipment	63,625	189,079	(63,625)	-	189,079
Right-to-use subscription assets	251,386	-	-	-	251,386
Total capital assets, being depreciated or amortized	117,139,672	6,433,366	(547,489)	2,861,784	125,887,333
Less accumulated depreciation and amortization for:					
Buildings and improvements	(5,862,987)	(292,843)	-	-	(6,155,830)
Machinery and equipment	(5,086,236)	(340,336)	86,758	-	(5,339,814)
Vehicles	(4,448,954)	(611,104)	397,106	-	(4,662,952)
Infrastructure	(18,309,196)	(2,344,231)	-	-	(20,653,427)
Right-to-use lease assets - machinery and equipment	(48,374)	(18,402)	63,625	-	(3,151)
Right-to-use subscription assets	(52,647)	(52,648)	-	-	(105,295)
Total accumulated depreciation and amortization	(33,808,394)	(3,659,564)	547,489	-	(36,920,469)
Total depreciable capital assets, net	83,331,278	2,773,802	-	2,861,784	88,966,864
Governmental activities capital assets, net	$ 93,663,989	$ 17,900,346	$ -	$ (9,667,818) *	$ 101,896,517

*Capital assets were transferred between governmental activities and business-type activities. See Note 8 for additional details.

Changes in the capital assets for business-type activities for the year ended September 30, 2024, are summarized as follows:

	Beginning Balance	Increases	Decreases	Reclass and Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated or amortized:					
Land	$ 1,897,333	$ -	$ -	$ -	$ 1,897,333
Construction in progress	3,702,038	237,103	(271,486)	7,227,122	10,894,777
Total capital assets, not being depreciated or amortized	5,599,371	237,103	(271,486)	7,227,122	12,792,110
Capital assets, being depreciated or amortized:					
Gas system	7,746,299	152,460	-	775,197	8,673,956
Water and wastewater system	63,659,127	2,411,463	-	1,665,499	67,736,089
Machinery and equipment	4,527,332	867,600	-	-	5,394,932
Total capital assets, being depreciated or amortized	75,932,758	3,431,523	-	2,440,696	81,804,977
Less accumulated depreciation and amortization for:					
Gas system	(4,062,378)	(180,518)	-	-	(4,242,896)
Water and wastewater system	(29,024,025)	(1,494,134)	-	-	(30,518,159)
Machinery and equipment	(2,489,820)	(200,900)	-	-	(2,690,720)
Total accumulated depreciation and amortization	(35,576,223)	(1,875,552)	-	-	(37,451,775)
Total depreciable capital assets, net	40,356,535	1,555,971	-	2,440,696	44,353,202
Business-type activities capital assets, net	$ 45,955,906	$ 1,793,074	$ (271,486)	$ 9,667,818 *	$ 57,145,312

*Capital assets were transferred between governmental activities and business-type activities. See Note 8 for additional details.

Depreciation and amortization was charged to governmental and business-type activities as follows:

Governmental activities:	
General government	$ 1,005,397
Public safety	1,202,114
Public works	593,692
Parks and recreation	84,476
Community development	63,965
Internal service fund	709,920
Total depreciation and amortization expense, governmental activities	$ 3,659,564
Business-type activities:	
Utility administration	$ 200,900
Water	738,221
Wastewater	755,913
Gas	180,518
Total depreciation and amortization expense, business-type activities	$ 1,875,552

Completed infrastructure, gas system and water and wastewater system assets were donated to the City from third party developers during 2024. These contributions are reported in the governmental activities and business-type activities of the primary government at $3,525,225 and $2,420,642, respectively.

The City has active construction projects and remaining commitments under related contracts. As of September 30, 2024, the City's contractual commitments on projects for governmental and business-type activities were as follows:

Project Description	Project Authorization	Total Expended	Remaining Commitment
Governmental activities:			
Alley Improvement Project	$ 1,863,871	$ 1,300,924	$ 562,947
Enhancements to Malone Lot	369,191	240,991	128,200
Juergens Inclusive Playground	819,383	633,948	185,435
Sidewalks - Baker Drive	69,740	36,640	33,100
City Facilities	2,471,593	2,408,515	63,078
N. Sycamore Parking	114,525	70,289	44,236
North Star Drainage Improvements	59,193	41,603	17,590
Southmore Drainage Improvements	112,961	48,813	64,148
Jerry Matheson Park Improvements Phase II	7,150	-	7,150
Total governmental activities	$ 5,887,607	$ 4,781,723	$ 1,105,884
Business-type activities:			
FM 2920 Lift Station Consolidation	$ 2,208,200	$ 775,105	$ 1,433,095
Grand Parkway EST	5,677,000	5,121,291	555,709
East Water Plant	2,615,362	848,080	1,767,282
WWTP Design/Expansion	6,034,784	3,029,202	3,005,582
Baker Drive Water Plant	1,849,087	911,565	937,522
Cherry Street Steel Main	448,841	-	448,841
16" Water Line - Hufsmith	346,382	45,217	301,165
Rudolph Road Sanitary Sewer Extension	195,843	5,343	190,500
16" Water Line - Grand Parkway/SH 249	448,420	-	448,420
Total business-type activities	$ 19,823,919	$ 10,735,803	$ 9,088,116

Changes in the capital assets for the discretely presented component unit for the year ended September 30, 2024, are summarized as follows:

	Restated Beginning Balance	Increases	Decreases	Reclass and Transfers	Ending Balance
Discretely presented component unit:					
Capital assets, not being depreciated or amortized:					
Land*	$ 1,523,628	$ 343,636	$ -	$ -	$ 1,867,264
Total capital assets, not being depreciated or amortized	1,523,628	343,636	-	-	1,867,264
Capital assets, being depreciated or amortized:					
Buildings and improvements	8,421,416	29,950	-	-	8,451,366
Right-to-use lease assets - buildings and improvements	37,176	-	(37,176)	-	-
Total capital assets, being depreciated or amortized	8,458,592	29,950	(37,176)	-	8,451,366
Less accumulated depreciation and amortization for:					
Buildings and improvements	(842,228)	(423,317)	-	-	(1,265,545)
Right-to-use lease assets - buildings and improvements	(35,689)	(1,487)	37,176	-	-
Total accumulated depreciation and amortization	(877,917)	(424,804)	37,176	-	(1,265,545)
Total depreciable capital assets, net	7,580,675	(394,854)	-	-	7,185,821
Discretely presented component unit capital assets, net	$ 9,104,303	$ (51,218)	$ -	$ -	$ 9,053,085

*The beginning balance for land was restated as of October 1, 2023 due to an error correction. See Note 15 for additional details.

Note 6. Long-term Debt

Changes in Long-term Liabilities

The City's long-term liabilities consist of bond indebtedness, public property finance contractual obligations, leases payable, subscriptions payable, compensated absences, landfill postclosure care costs, arbitrage liability and net pension liability and total OPEB liability.

Certificates of obligation are issued to acquire and construct major capital facilities. General obligation refunding bonds are issued to legally defease previously issued bonded debt. The debt service requirements for the certificates and general obligation bonds are paid through the Debt Service Fund from tax revenues, transfers from the Enterprise Fund and contributions from the Discretely Presented Component Unit. Public property finance contractual obligations are accounted for and serviced through the Internal Service Fund. Other long-term liabilities are typically liquidated by the General Fund (Governmental Activities) and the Enterprise Fund (Business-Type Activities).

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 liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

The following is a summary of changes in the City's long-term liabilities for the year ended September 30, 2024.

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Bonds payable:					
Certificates of obligation	$ 30,235,000	$ 27,590,000	$ (1,520,000)	$ 56,305,000	$ 1,975,000
General obligation refunding bonds	11,695,000	-	(1,085,000)	10,610,000	1,130,000
Unamortized premiums	2,080,471	1,070,957	(372,288)	2,779,140	-
Bonds payable, net	44,010,471	28,660,957	(2,977,288)	69,694,140	3,105,000
Public property finance contractual obligation	779,868	-	(130,000)	649,868	130,000
Leases payable	14,549	189,079	(18,073)	185,555	34,390
Subscriptions payable	202,744	-	(46,565)	156,179	50,668
Compensated absences	1,675,671	1,560,585	(1,066,362)	2,169,894	650,968
Landfill postclosure care costs	419,000	48,710	(51,985)	415,725	67,345
Arbitrage liability	155,008	630,693	-	785,701	-
Net pension liability	8,796,518	6,248,006	(7,605,570)	7,438,954	-
Total OPEB liability	2,366,659	288,538	(201,663)	2,453,534	201,663
Total governmental activities	$ 58,420,488	$ 37,626,568	$ (12,097,506)	$ 83,949,550	$ 4,240,034
Business-type activities:					
Compensated absences	$ 355,273	$ 109,698	$ (117,054)	$ 347,917	$ 104,375
Net pension liability	1,603,650	1,111,386	(1,358,877)	1,356,159	-
Total OPEB liability	553,415	64,929	(58,224)	560,120	48,805
Total business-type activities	$ 2,512,338	$ 1,286,013	$ (1,534,155)	$ 2,264,196	$ 153,180

General Obligation Bonds and Certificates of Obligation

A summary of the terms of general obligation bonds and certificates of obligation, as of September 30, 2024, follows:

Description	Original Issue	Final Maturity	Interest Rates (%)	Balance
Certificates of obligation:				
Series 2016	$ 20,240,000	2037	3.00-5.00	$ 12,615,000
Series 2022	19,570,000	2042	4.125-5.00	16,100,000
Series 2023	27,590,000	2054	4.00-5.00	27,590,000
Total certificates of obligation				56,305,000
General obligation refunding bonds:				
Series 2019	9,100,000	2032	2.00-4.00	6,485,000
Series 2020	5,255,000	2033	2.00-4.00	4,125,000
Total general obligation refunding bonds				10,610,000
Total governmental activities bonds payable				$ 66,915,000

Public Property Finance Contractual Obligations

The City previously issued $1,300,000 in Public Property Finance Obligations to finance acquisition of equipment for the Fire Department. Principal and interest payments are due in annual installments through November 1, 2028, with interest at 3.65 percent through November 1, 2023 and at a fixed rate equal to the Wall Street Journal Prime Rate minus 1.35 percent per annum from November 1, 2023 through 2028.

Debt Service Requirements

The annual debt service requirements to maturity for general obligation refunding bonds, certificates of obligation and public property finance contractual obligations outstanding at September 30, 2024, are as follows:

	Governmental Activities					
Year Ending	General Obligation Refunding Bonds and Certificates of Obligation			Public Property Finance Contractual Obligations		
September 30,	Principal	Interest	Total	Principal	Interest	Total
2025	$ 3,105,000	$ 2,645,969	$ 5,750,969	$ 130,000	$ 23,725	$ 153,725
2026	3,185,000	2,504,344	5,689,344	130,000	18,980	148,980
2027	3,290,000	2,368,344	5,658,344	130,000	14,235	144,235
2028	3,390,000	2,237,494	5,627,494	130,000	9,490	139,490
2029	3,495,000	2,106,269	5,601,269	129,868	4,745	134,613
2030-2034	16,510,000	8,670,338	25,180,338	-	-	-
2035-2039	12,010,000	5,755,104	17,765,104	-	-	-
2040-2044	8,605,000	3,453,688	12,058,688	-	-	-
2045-2049	5,990,000	2,113,625	8,103,625	-	-	-
2050-2054	7,335,000	777,694	8,112,694	-	-	-
Totals	$ 66,915,000	$ 32,632,869	$ 99,547,869	$ 649,868	$ 71,175	$ 721,043

Debt Issuances and Prior Defeased Debt

In prior years, the City legally defeased certain bonds and certificates of obligation by placing cash and/or proceeds of refunding bond issues in an irrevocable trust to provide for all future debt services payments on the refunded debt. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. As of September 30, 2024, there were no outstanding balances of defeased bonds.

During fiscal year 2024, the City issued $27,590,000 of series 2023 combination tax and revenue certificates of obligation. The bonds were issued to fund the design, construction and equipment of improvements to the City's water and sewer system and parking facilities and pay for the costs of issuance. The bonds pay interest of 4.00 – 5.00% and are scheduled to mature at various annual installments through 2054.

Federal Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance 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 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 liability to the City could result. The City periodically engages an arbitrage consultant to perform the calculations in accordance with the Internal Revenue Service's rules and regulations. The City reported $785,701 of arbitrage liability in governmental activities as of September 30, 2024.

Leases Payable
The City has entered into lease agreements as lessee which allows the right-to-use equipment over the term of the lease. The City is required to make monthly payments at its incremental borrowing rate or the interest rate stated or implied within the leases.

The lease rate, term and ending lease liability at September 30, 2024 are as follows:

	Interest Rate(s)	Lease Term in Years	Ending Balance
Governmental activities:			
Copiers	4.65%	5.0	$ 185,555
Total governmental activities			$ 185,555

The future principal and interest lease payments as of fiscal year end are as follows:

Year Ending September 30,	Governmental Activities Principal	Interest	Total
2025	$ 34,390	$ 7,902	$ 42,292
2026	36,023	6,268	42,291
2027	37,734	4,555	42,289
2028	39,527	2,764	42,291
2029	37,881	887	38,768
Total	$ 185,555	$ 22,376	$ 207,931

The value of the right-to-use lease assets as of the end of the current fiscal year is reported in Note 5.

Subscriptions Payable
The City has entered into multiple SBITAs that allow the right-to-use the SBITA vendor's information technology software over the subscription term. The City is required to make annual payments at its incremental borrowing rate or the interest rate stated or implied within the SBITAs.

The SBITA rate, term and ending subscription liability at September 30, 2024 are as follows:

	Interest Rate(s)	Subscription Term in Years	Ending Balance
Governmental activities:			
Software subscriptions	4.94-5.61%	3.0-5.8	$ 156,179
Total governmental activities			$ 156,179

The future principal and interest subscription payments as of fiscal year end are as follows:

Year Ending	Governmental Activities		
September 30,	Principal	Interest	Total
2025	$ 50,668	$ 8,015	$ 58,683
2026	39,555	5,354	44,909
2027	43,375	3,333	46,708
2028	22,581	1,115	23,696
Total	$ 156,179	$ 17,817	$ 173,996

The value of the right-to-use subscription assets as of the end of the current fiscal year is reported in Note 5.

Note 7. Commitments and Contingencies

A. Risk Management

Property Damage / General Liability
The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; law enforcement operations; cyber security; pollution; injuries to employees, and natural disasters for which the City participates in the Texas Municipal League's Intergovernmental Risk Pool (the Pool). In accordance with an interlocal agreement, the Pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums and claims above the City's deductibles. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three years.

Workers' Compensation
The City participates in the Texas Municipal League's Intergovernmental Risk Pool (the Pool) for workers' compensation. In accordance with an interlocal agreement, the Pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums and claims above the City's deductibles. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three years.

B. Contingent Liabilities

The City is a party to various legal action due to nature of its operations. Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. It is the opinion of the City's management that the resolution of these matters, although the outcome is not presently determinable, will not have a material adverse effect on the financial condition of the City.

The City participates in federal and state financial assistance programs. Although the City's financial statements have been audited through September 30, 2024, these programs are subject to financial and compliance audits by the grantor agencies. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

Note 8. Interfund Transactions

Interfund Receivables and Payables
Outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The City did not report interfund receivables and payables as of September 30, 2024.

Interfund Transfers
The composition of interfund transfers in and out for the year ended September 30, 2024 is as follows:

	Transfers Out		
	Governmental Funds	Proprietary Fund	
Transfers In	General Fund	Enterprise Fund	Total
General fund	$ -	$ 2,500,000	$ 2,500,000
Capital projects fund	2,000,000	4,668,486	6,668,486
Nonmajor governmental funds	126,000	-	126,000
Total	$ 2,126,000	$ 7,168,486	$ 9,294,486

Transfers are primarily used to:

- move enterprise fund resources to provide an annual subsidy to the general fund
- move available resources to fund special revenue programs, and
- move available resources to provide funding for capital projects

In addition, the City transferred $9,667,818 of capital assets from governmental activities to business-type activities, which is reflected in the government-wide financial statements as transfers and proprietary fund financial statements as "capital asset contributions from governmental activities".

Note 9. Pension Plan

Plan Description and Provisions
The City participates as one of 934 plans in the defined benefit cash-balance pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the "TMRS Act") as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report that can be obtained at www.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 benefit is calculated as if the sum of the employee's contributions, with interest, and the City financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven actuarially equivalent payments options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statues governing TMRS. A summary of plan provisions for the City is as follows:

	Plan Year 2024	Plan Year 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 retirement eligibility		
(expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating
Supplemental death benefit:		
to active employees	Yes	Yes
to retirees	Yes	Yes

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	121
Inactive employees entitled to but not yet receiving benefits	140
Active employees	213
Total	474

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rate for the City was 13.04% in calendar year 2023 and 13.51% in calendar year 2024. For the fiscal year ended September 30, 2024, the City made contributions of $2,226,396, which were 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 net pension liability was determined by an actuarial valuation as of that date.

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

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

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements.

For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for annuity purchase rates is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013.

Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Global equity	35.0%	7.70%
Core fixed income	6.0%	4.90%
Non-core fixed income	20.0%	8.70%
Other public and private markets	12.0%	8.10%
Real estate	12.0%	5.80%
Hedge funds	5.0%	6.90%
Private equity	10.0%	11.80%
Total	100%	

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2022	$ 58,226,534	$ 47,826,366	$ 10,400,168
Changes for the year:			
Service cost	2,460,536	-	2,460,536
Interest	3,921,519	-	3,921,519
Difference between expected and actual experience	936,936	-	936,936
Changes in assumptions	(441,493)	-	(441,493)
Employer contributions	-	1,937,523	(1,937,523)
Employee contributions	-	1,040,079	(1,040,079)
Net investment income	-	5,540,413	(5,540,413)
Benefit payments, including refunds of employee contributions	(2,720,444)	(2,720,444)	-
Administrative expense	-	(35,215)	35,215
Other changes	-	(247)	247
Net changes	4,157,054	5,762,109	(1,605,055)
Balance at December 31, 2023	$ 62,383,588	$ 53,588,475	$ 8,795,113

Sensitivity of the Net Pension Liability

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

	1% Decrease to 5.75%	Current Single Discount Rate Assumption 6.75%	1% Increase to 7.75%
City's net pension liability	$ 18,575,725	$ 8,795,113	$ 936,546

Pension Plan Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in a separately issued TMRS financial report. That report may be obtained at www.tmrs.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
For the year ended September 30, 2024, the City recognized pension expense of $2,240,926.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 961,782	$ -
Changes in actuarial assumptions used	-	332,750
Differences between projected and actual investment earnings	1,291,725	-
Contributions subsequent to the measurement date	1,738,641	-
Totals	$ 3,992,148	$ 332,750

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $1,738,641 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2024 (i.e. recognized in the City's fiscal year 2025 financial statements). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense in the City's fiscal years as follows:

Year Ending September 30,	Net Deferred Outflows (Inflows) of Resources
2025	$ 618,472
2026	633,133
2027	1,124,255
2028	(455,103)
Totals	$ 1,920,757

Note 10. Other Postemployment Benefits Plans

The City offers two other postemployment benefit (OPEB) plans: Texas Municipal Retirement System's (TMRS) Supplemental Death Benefits Fund, and the City's Retiree Health Care Plan.

Plan Descriptions and Provisions, Benefits, Contributions

TMRS Supplemental Death Benefits Fund (SDBF)
The City participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated 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 City 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 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); retired employees are insured for $7,500; this coverage is an OPEB.

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 plan assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75).

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

The retiree portion of contribution rates to the SDBF for the City was 0.12% in calendar years 2023 and 2024. The City's contributions to the SDBF for the year ended September 30, 2024 were $19,932, and were equal to the required contributions.

Retiree Health Care Plan (RHCP)
The City's administers a single employer defined benefit OPEB plan, City of Tomball Retiree Health Care Plan (RHCP), where the City will pay a portion of the premium for continuation of the medical and dental insurance coverage of certain retirees. Enrollment for retiree coverage must be completed no later than 30 days after the date of retirement. Later enrollment is not permitted. Any retiree eligible for medical coverage with another group plan shall not qualify for medical coverage with the City.

The RHCP is closed to new entrants as the benefit is only provided to employees who were hired prior to October 1, 2014.

In order to be eligible for this benefit, the retiree must meet the following criteria:

- Retiree must be vested, age 55 or older and a current recipient of retirement benefits from the Texas Municipal System
- Retiree must have been a full-time equivalent of the City for 10 consecutive years immediately prior to retirement
- Retiree must satisfy the application plan requirements for the extension of retiree coverage under the medical and dental insurance benefit plan offered by the City at the time of retirement

Beginning with retirement and ending when the person is eligible for Medicare coverage, the City may pay a portion of the retiree medical and dental coverage premiums in accordance with the following schedule:

- 40% of the premium costs for retirees having at least 10 year, but less than 15 years, of full-time service with the City
- 55% of the premium costs for retirees having at least 15 years, but less than 20 years, of full-time service with the City
- 70% of the premium costs for retirees having at least 20 years, but less than 25 years, of full-time service with the City
- 85% of the premium costs for retirees having at least 25 years of full-time service with the City

Eligible retirees shall pay 100% of vision premiums and 100% of the premiums for basic life insurance. Presently, a retiree's spouse and dependent(s) are also eligible for continued coverage if they are already covered at the time of retirement. Retirees may not add dependents after retiring. Each retiree is responsible for all costs, including premiums, associated with spouse and dependent benefits. The benefit includes the same medical coverage approved by City Council and selected for current employees and excludes accidental death and life coverage.

The City will no longer pay any retiree premiums once the retiree is eligible for Medicare coverage. Retirees who are eligible for Medicare coverage may, at their sole expense, continue to purchase coverage for themselves and their eligible dependents as provided under the applicable terms of the City's policies. The City's policy will be a secondary policy to Medicare.

The benefit levels and contribution rates are approved annually by the City management and City Council as part of the budget process. Since the City does not contribute toward the RHCP in advance, the City employs a pay-as-you-go method ensuring the annual retiree contributions are equal to the benefits that are paid on behalf of the retirees.

There are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to fund the future requirements of the RHCP.

Plan Membership

Membership in the plans as of the measurement date of December 31, 2023 was as follows:

	SDBF	RHCP
Inactive plan members or beneficiaries currently receiving benefits	101	35
Inactive plan members entitled to but not yet receiving benefits	49	-
Active employees	213	46
Total plan members	363	81

Total OPEB Liability

The City's total OPEB liability for SDBF and RHCP was determined by an actuarial valuation as of December 31, 2023, and both OPEB plans were measured as of December 31, 2023. The total OPEB liabilities reported in the City's September 30, 2024 financial statements were as follows:

SDBF	$	587,269
RHCP		2,426,385
	$	3,013,654

Actuarial Methods and Assumptions

The total OPEB liabilities were determined using the following actuarial assumptions and other inputs.

Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Discount rate	3.77% - based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

The Entry Age Normal actuarial cost method is used.

The retiree's share of benefit-related costs for the SDBF OPEB is assumed to be $0, and the healthcare trend cost rate for the RHCP actuarial valuation is assumed at an initial rate of 7.20%, declining to an ultimate rate of 4.25% after 15 years.

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

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

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

Change in Actuarial Methods and Assumptions

The discount rate changed from 4.05% as of December 31, 2022 to 3.77% as of December 31, 2023.

Changes in the Total OPEB Liability

	SDBF	RHCP
Service cost	$ 17,830	$ 62,210
Interest	21,571	93,241
Changes in benefit terms	-	-
Difference between expected and actual experience	2,927	63,058
Changes in assumptions or other inputs	30,151	53,060
Benefit payments	(17,830)	(232,638)
Net changes	54,649	38,931
Total OPEB liability - beginning	532,620	2,387,454
Total OPEB liability - ending	$ 587,269	$ 2,426,385

Sensitivity Analysis

The following presents the City's total OPEB liabilities calculated using the discount rate of 3.77%, as well as what the liabilities would be if they were calculated using a discount rate that is 1 percentage point lower (2.77%) or 1 percentage point higher (4.77%) than the current rate.

	1% Decrease to 2.77%	Current Discount Rate Assumption 3.77%	1% Increase to 4.77%
SDBF	$ 707,794	$ 587,269	$ 495,101
RHCP	2,637,464	2,426,385	2,236,145

The following presents the RHCP plan's total OPEB liability, calculated using the assumed healthcare cost trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher. Note that the healthcare cost trend rate does not affect the total SDBF OPEB liability, therefore the sensitivity to the healthcare cost trend rate is not shown for SDBF.

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
RHCP	$ 2,198,377	$ 2,426,385	$ 2,693,814

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

For the year ended September 30, 2024, the City recognized OPEB expense of $28,461 relating to the SDBF plan and OPEB expense of $55,105 relating to the RHCP plan. Total OPEB expense for the two plans was $83,566.

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

	SDBF		RHCP	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 18,635	$ 5,506	$ 92,906	$ 203,782
Changes in assumptions and other inputs	74,509	181,411	172,825	434,241
Contributions subsequent to the measurement date	15,443	-	158,952	-
Total	$ 108,587	$ 186,917	$ 424,683	$ 638,023

The amounts reported as deferred outflows of resources resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ending September 30, 2025.

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense in the City's fiscal years as follows:

	Net Deferred Outflows (Inflows) of Resources	
Year Ending September 30,	SDBF	RHCP
2025	$ (9,236)	$ (106,638)
2026	(31,054)	(115,551)
2027	(42,377)	(57,065)
2028	(12,554)	(67,376)
2029	1,448	(25,662)
Totals	$ (93,773)	$ (372,292)

Note 11. Deferred Compensation Plan

The City has a deferred compensation plan for its employees, created in accordance with Internal Revenue Code, Section 457. Participation in the plan is open to all regular employees and is voluntary. The City does not contribute to, own or administer the amount deferred by employees and, therefore, the liability and corresponding investments are not reflected in the basic financial statements.

Note 12. Landfill Post Closure Care Costs

The City's municipal solid waste landfill is in the post closure process as the landfill has been closed. State and federal laws and regulations required that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site until approved for final regulatory closure by the Texas Commission on Environmental Quality.

The estimated liability for landfill post closure case costs of $415,715 as of September 30, 2024, represents the remaining estimated post closure costs required to achieve regulatory approval for closure including costs through 2029. However, the actual cost of remaining post closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

Note 13. Tax Abatements

State law authorizes subdivisions of the State of Texas to grant tax abatements to any person, organization or corporation in order to stimulate economic development within the State under Chapter 312 of the Texas Tax Code. Consequently, the City Council has adopted a resolution establishing criteria whereby the City will, on a case-by-case basis, give consideration to providing tax abatement to any qualifying applicant. Generally, the period of abatement is for a maximum period of up to ten years subsequent to meeting the minimum criteria outlined in the agreement. The percentage of tax abated shall be determined based upon the level of capital investment and number of new jobs created. Notwithstanding the resolution adopted by the City Council, or the criteria attendant thereto, it is not implied or suggested that the City is under any obligation to provide tax abatement to any applicant. The abatements are provided as a reduction of taxable assessed value of the property, and the recipient receives a tax bill that is already net of the abated amount.

For the fiscal year ended September 30, 2024, the estimated value of property in the City that was subject to tax abatement was $13,593,350, as one participant met the minimum criteria identified in the agreements; therefore, the amount of property tax abated during the year was $39,872.

Note 14. Special Assessment Bonds

The Public Improvement Districts (PID) were created by City Council ordinance under the Texas PID Act (Texas Local Government Code Chapter 372) principally to finance certain capital improvement projects for master planned developments within City boundaries. In order to finance the capital improvements, the City can issue special assessment bonds up to a maximum principal amount in accordance with development agreements between the City and the developer.

The City is authorized by the Texas PID Act and an Assessment Ordinance to collect assessments levied on the properties within the improvement area, which is pledged to pay the scheduled principal and interest payments on the PID bonds.

The City is in no way liable for repayment of the PID bonds, and is only acting as a custodian for the property owners in collecting the assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings, if appropriate.

A summary of the terms of special assessment bonds, as of September 30, 2024, follows:

Description	Original Issue	Final Maturity	Interest Rates (%)	Outstanding at September 30, 2024
Special Assessment Bonds:				
Raburn Reserve				
Series 2020 - Public Improvement Area #1	$ 2,490,000	2050	3.38-4.00%	$ 2,350,000
Series 2022 - Public Improvement Area #1	1,688,000	2050	5.25-6.00%	1,634,000
Series 2022 - Public Improvement Area #2	2,430,000	2052	5.50-6.25%	2,400,000
Series 2023 - Public Improvement Area #2	2,744,000	2052	4.88-5.75%	2,703,000
Series 2023 - Public Improvement Area #3	3,340,000	2053	5.00-6.00%	3,340,000
Total	12,692,000			12,427,000
Total authorized	15,000,000			
Unissued	2,308,000			
Wood Leaf Reserve				
Series 2022 - Public Improvement Area #1	4,406,000	2052	4.75-5.88%	4,245,000
Series 2024 - Public Improvement Area #2	3,008,000	2054	5.50-5.75%	3,008,000
Total	7,414,000			7,253,000
Total authorized	18,895,633			
Unissued	$ 11,481,633			
Total special assessment bonds				$ 19,680,000

During fiscal year 2024, the City issued one series of bonds (PID bonds) totaling $3,008,000. The PID bonds were issued to fund authorized improvements related to the Woodleaf Reserve Public Improvement Area #2 and pay for the costs of issuance. The PID bonds pay interest of 5.50 – 5.75%, and are scheduled to mature at various annual installments through 2054.

The PID bonds are subject to mandatory sinking fund redemption prior to their respective maturities and require annual sinking fund installments paid on September 15 and ranging from $186,000 to $1,203,000.

Note 15. Beginning Balance Restatement

Error Correction
During fiscal year 2024, the City determined that land reported for the Tomball Economic Development Corporation, which represented land purchased and developed for the Tomball Business and Technology Park, was overstated in a prior year. The effect of correcting that error is shown in the following table.

	Discretely Presented Component Unit
Beginning net position, as previously reported	$ 36,130,223
Correction of error - capital assets	(2,081,828)
Beginning net position, restated	$ 34,048,395

Note 16. Subsequent Events

Issuance of Special Assessment Bonds
On March 5, 2025, the City issued $2,308,000 of Special Assessment Revenue Bonds, Series 2025. The bonds were issued to fund infrastructure projects for Raburn Reserve Public Improvement District Area #3 and to pay the costs of issuance. The bonds were issued with interest rates ranging from 5.25% to 5.50% and are scheduled to mature in installments from September 15, 2025 through September 15, 2053.

On May 21, 2025, the City issued $5,956,000 of Special Assessment Revenue Bonds, Series 2025. The bonds were issued to fund infrastructure projects for Winfrey Estates Public Improvement District and to pay the costs of issuance. The bonds were issued with interest rates ranging from 4.75% to 6.00% and are scheduled to mature in installments from September 15, 2025 through September 15, 2053.

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

BRACEWELL

[CLOSING DATE]

$[_______]
CITY OF TOMBALL, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2025

We have represented the City of Tomball, Texas (the "Issuer"), as its bond counsel in connection with an issue of certificates of obligation as described below:

> CITY OF TOMBALL, TEXAS, COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025, dated July 1, 2025, in the aggregate principal amount of $[____] (the "Certificates").
>
> The Certificates mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Certificates and in the ordinance adopted by the City Council of the Issuer authorizing their issuance (the "Ordinance").

We have represented the Issuer as its bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas, and with respect to the excludability of interest on the Certificates from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Certificates. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein. Capitalized terms used herein and not otherwise defined are used with the meanings assigned to such terms in the Ordinance.

In our capacity as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Certificates on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Issuer, customary certificates of officers, agents and representatives of the Issuer and other public officials and other certified showings relating to the authorization and issuance of the Certificates. We also have analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein. Moreover, we have examined executed Certificate No. I-1 of this issue.

In providing the opinions set forth herein, we have relied on representations and certifications of the Issuer and other parties involved with the issuance of the Certificates with respect to matters solely within the knowledge of the Issuer and such parties, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Ordinance, including, but not limited to, covenants relating to the tax-exempt status of the Certificates.

Based upon such examination and in reliance on such representations, certifications and assumptions, it is our opinion that:

1. The transcript of certified proceedings evidences complete legal authority for the issuance of the Certificates in full compliance with the Constitution and laws of the State of Texas presently effective and that therefore the Certificates constitute valid and legally binding obligations of the Issuer.

2. A continuing ad valorem tax upon all taxable property within the City of Tomball, Texas, necessary to pay the interest on and principal of the Certificates, has been levied and pledged irrevocably for such purposes, within the limits prescribed by law. In addition, the Certificates are further secured by a limited pledge of a subordinate lien on the Net Revenues of the Issuer's water and sewer system in an amount not to exceed $1,000, as provided in the Ordinance.

3. Interest on the Certificates is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended. In addition, interest on the Certificates is not an item of tax preference for purposes of the alternative minimum tax on individuals, but we observe that such interest is taken into account in computing the alternative minimum tax on certain corporations.

The rights of the owners of the Certificates are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

Except as stated above, we express no opinion as to the amount or timing of interest on the Certificates or any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership, or disposition of the Certificates. This opinion is specifically limited to the laws of the State of Texas and, to the extent applicable, the laws of the United States of America. Further, in the event that the representations of the Issuer or other parties upon which we have relied are determined to be inaccurate or incomplete or the Issuer fails to comply with the covenants of the Ordinance, interest on the Certificates could become includable in gross income for federal income tax purposes from the date of the original delivery of the Certificates, regardless of the date on which the event causing such inclusion occurs.

Our opinions are based on existing law and our knowledge of facts as to the date hereof and may be affected by certain actions that may be taken or omitted on a later date. We assume no duty to update or supplement our opinions, and this opinion letter may not be relied upon in connection with any changes to the law or facts, or actions taken or omitted, after the date hereof.

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