OFFICIAL STATEMENT DATED MARCH 19, 2024

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

The Obligations will NOT be designated as "qualified tax-exempt obligations" for financial institutions.

NEW ISSUE: BOOK-ENTRY-ONLY

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

CITY OF SEABROOK, TEXAS

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

$4,150,000 General Obligation Bonds, Series 2024

$9,715,000 Certificates of Obligation, Series 2024

Dated: April 1, 2024

Due: September 1, as shown on page ii

Principal of and interest on the $4,150,000 City of Seabrook, Texas, General Obligation Bonds, Series 2024 (the "Bonds") and the $9,715,000 City of Seabrook, Texas, Certificates of Obligation, Series 2024 (the "Certificates," and collectively with the Bonds, the "Obligations") are payable by The Bank of New York Mellon Trust Company, N.A, Dallas, Texas, the initial paying agent/registrar (the "Paying Agent/Registrar"). The Obligations are initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Obligations may be acquired in principal denominations of $5,000 or integral multiples thereof. No physical delivery of the Obligations will be made to the beneficial owners thereof. Principal of and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., as nominee for DTC, which will make distribution of the amounts so paid to the beneficial owners of the Obligations. See "THE OBLIGATIONS - Book-Entry-Only System" herein.

Interest on the Obligations will accrue from the Delivery Date (defined below), and will be payable on September 1, 2024, and semiannually thereafter on each succeeding March 1 and September 1 until stated maturity or prior redemption, to the registered owners (initially Cede & Co.) appearing on the registration books of the Paying Agent/Registrar on the last business day of the month next preceding each interest payment date (the "Record Date"). See "THE OBLIGATIONS - Description."

The Bonds, when issued, will constitute valid and binding obligations of the City of Seabrook, Texas (the "City") and will be payable from the proceeds of a continuing, direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City. See "THE OBLIGATIONS - Source of Payment of the Bonds." The Certificates, when issued, will constitute valid and binding obligations of the City and will be payable from the proceeds of a continuing, direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City and will be further payable from a limited pledge of a subordinate lien on the net revenues of the City's waterworks and sanitary sewer system (the "System") in an amount not to exceed $1,000. See "THE OBLIGATIONS - Source of Payment of the Certificates."

The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Chapter 1331, Texas Government Code, as amended, an election held within the City on November 7, 2023, and an ordinance (the "Bond Ordinance") approved by the City Council (the "City Council") of the City of Seabrook, Texas (the "City") on March 19, 2024. See "THE OBLIGATIONS – Authorization of the Bonds." 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 (the "Certificate Ordinance," and together with the Bond Ordinance, the "Ordinances") approved by the City Council of the City on March 19, 2024. See "THE OBLIGATIONS – Authorization of the Certificates."

Proceeds from the sale of the Bonds will be used for (i) the renovation, expansion, development and equipment for the Seabrook Fire Station, including additions for emergency medical services, emergency management services and an emergency operations center; (ii) the purchase and equipment for a new fire engine and construction, acquisition, development and equipment for a fire training tower; and (iii) the payment of costs of issuing the Bonds. Proceeds from the sale of the Certificates will be used for (i) the acquisition, construction, improvement, expansion, rehabilitation and repair of City streets, alleys, sidewalks, and drainage systems; and (ii) the payment of costs of issuing the Certificates. See "THE OBLIGATIONS – Use of Proceeds" and "- Sources and Uses of Funds."

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS AND 9 DIGIT CUSIP – See Schedules on Page ii

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The Obligations are offered when, as and if issued and accepted by the underwriters listed below (the "Underwriters"), subject to the approving opinions of the Attorney General of the State and the opinions of Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Bond Counsel for the City, as to the validity of the issuance of the Obligations under the Constitution and laws of the State. See "LEGAL MATTERS." Certain legal matters will be passed upon for the Underwriters listed below by Jackson Walker LLP, Houston, Texas. Delivery of the Obligations through DTC is expected to be on or about April 11, 2024 (the "Delivery Date").

SAMCO CAPITAL **STIFEL**

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

$4,150,000 General Obligation Bonds, Series 2024

$2,850,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. 811692 (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. 811692 (b)
2025	$ 80,000	5.00%	3.16%	MC3	2035(c)	$145,000	5.00%	3.04%	MN9
2026	85,000	5.00	3.00	MD1	2036(c)	150,000	5.00	3.11	MP4
2027	90,000	5.00	2.88	ME9	2037(c)	160,000	5.00	3.25	MQ2
2028	95,000	5.00	2.81	MF6	2038(c)	170,000	5.00	3.29	MR0
2029	100,000	5.00	2.79	MG4	2039(c)	180,000	5.00	3.37	MS8
2030	100,000	5.00	2.79	MH2	2040(c)	185,000	5.00	3.50	MT6
2031	110,000	5.00	2.81	MJ8	2041(c)	195,000	5.00	3.61	MU3
2032	115,000	5.00	2.84	MK5	2042(c)	205,000	5.00	3.68	MV1
2033	120,000	5.00	2.87	ML3	2043(c)	215,000	5.00	3.76	MW9
2034(c)	125,000	5.00	2.93	MM1	2044(c)	225,000	5.00	3.85	MX7

$1,300,000 Term Bonds

$1,300,000 Term Bond Due September 1, 2049(a)(c)(d) Interest Rate 4.25% (Price $98.771) CUSIP Number 811692 NC2(b)

$9,715,000 Certificates of Obligation, Series 2024

$6,410,000 Serial Certificates

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. 811692 (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. 811692 (b)
2025	$125,000	5.00%	3.16%	ND0	2035(c)	$375,000	5.00%	3.04%	NP3
2026	130,000	5.00	3.00	NE8	2036(c)	390,000	5.00	3.11	NQ1
2027	140,000	5.00	2.88	NF5	2037(c)	410,000	5.00	3.25	NR9
2028	160,000	5.00	2.81	NG3	2038(c)	430,000	5.00	3.29	NS7
2029	170,000	5.00	2.79	NH1	2039(c)	455,000	5.00	3.37	NT5
2030	180,000	5.00	2.79	NJ7	2040(c)	470,000	5.00	3.50	NU2
2031	185,000	5.00	2.81	NK4	2041(c)	505,000	5.00	3.61	NV0
2032	195,000	5.00	2.84	NL2	2042(c)	530,000	5.00	3.68	NW8
2033	205,000	5.00	2.87	NM0	2043(c)	555,000	5.00	3.76	NX6
2034(c)	215,000	5.00	2.93	NN8	2044(c)	585,000	5.00	3.85	NY4

$3,305,000 Term Certificates

$3,305,000 Term Certificate Due September 1, 2049(a)(c)(d) Interest Rate 4.00% (Price $94.943) CUSIP Number 811692 PD8(b)

(a) The initial yields will be established by and are the sole responsibility of the Underwriters, and may subsequently be changed.

(b) CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. CUSIP® data herein provided is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, the Underwriters, or their agents or counsel assume responsibility for the accuracy of such numbers.

(c) The Obligations maturing on September 1, 2034 and thereafter, are subject to redemption at the option of the City, in whole or from time to time in part, on September 1, 2033 or any date thereafter at par value thereof plus accrued interest from the most recent interest payment date to the date of redemption. See "THE OBLIGATIONS – Optional Redemption."

(d) Subject to mandatory redemption in the years and in the amounts set forth herein under the caption "THE OBLIGATIONS - Mandatory Sinking Fund Redemption."

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

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

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

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

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

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

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

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD LOOKING STATEMENTS.

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

TABLE OF CONTENTS

The cover page hereof, the section entitled "Official Statement Summary," this Table of Contents and the Appendices attached hereto are part of the Official Statement.

CITY OF SEABROOK, TEXAS

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

$4,150,000 General Obligation Bonds, Series 2024	$9,715,000 Certificates of Obligation, Series 2024

INTRODUCTORY STATEMENT

Information contained in this Official Statement, including Appendices A and B, has been obtained from the City of Seabrook, Texas (the "City") in connection with the offering by the City of its $4,150,000 General Obligation Bonds, Series 2024 (the "Bonds") and $9,715,000 Certificates of Obligation, Series 2024 (the "Certificates," and collectively with the Bonds, the "Obligations").

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

SALE AND DISTRIBUTION OF THE OBLIGATIONS

Underwriting

The underwriters listed on the cover page hereof (collectively, the "Underwriters") have agreed to purchase the Bonds from the City for $4,441,435.10 (being the principal amount of the Bonds, plus a net premium on the Bonds of $325,880.10 and less an Underwriters' discount of $34,445.00). The Underwriters are obligated to purchase all of the Bonds, if any are purchased, such obligation being subject to certain conditions precedent.

The Underwriters have agreed to purchase the Certificates from the City for $10,253,337.00 (being the principal amount of the Certificates, plus a net premium of $605,856.25 and less an Underwriters' discount of $67,519.25). The Underwriters are obligated to purchase all of the Certificates, if any are purchased, such obligation being subject to certain conditions precedent.

Prices and Marketability

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

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

Securities Laws

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

Municipal Bond Ratings

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

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

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OFFICIAL STATEMENT SUMMARY

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

The Issuer	The City of Seabrook, Texas (the "City") is a political subdivision and home rule city of the State of Texas located within Harris County, Texas.
The Obligations	$4,150,000 General Obligation Bonds, Series 2024 (the "Bonds"), are dated April 1, 2024 and mature September 1, 2025 through September 1, 2044, inclusive, and September 1, 2049. Interest on the Bonds will accrue from the date of initial delivery and is payable September 1, 2024 and semiannually thereafter on each succeeding March 1 and September 1 until stated maturity or prior redemption. See "THE OBLIGATIONS - Description." $9,715,000 Certificates of Obligation, Series 2024 (the "Certificates," and collectively with the Bonds, the "Obligations"), are dated April 1, 2024 and mature September 1, 2025 through September 1, 2044, inclusive, and September 1, 2049. Interest on the Certificates will accrue from the date of initial delivery and is payable September 1, 2024 and semiannually thereafter on each succeeding March 1 and September 1 until stated maturity or prior redemption. See "THE OBLIGATIONS - Description." The Obligations are issued in fully registered form in integral multiples of $5,000 of principal amount.
Redemption Provisions	The Obligations maturing on and after September 1, 2034 are subject to redemption at the option of the City, in whole or from time to time in part, on September 1, 2033 or any date thereafter at the par value thereof plus accrued interest from the most recent interest payment date to the date of redemption. See "THE OBLIGATIONS – Optional Redemption." The Term Obligations (as defined herein) are additionally subject to mandatory sinking fund redemption as described herein. See "THE OBLIGATIONS - Mandatory Sinking Fund Redemption."
Authority	The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapter 1331, Texas Government Code, as amended, an election held within the City on November 7, 2023, and a Bond Ordinance approved by the City Council on March 19, 2024. See "THE OBLIGATIONS – Authorization of the Bonds." 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 a Certificate Ordinance approved by the City Council on March 19, 2024. The Certificate Ordinance together with the Bond Ordinance are referred to herein as the "Ordinances". See "THE OBLIGATIONS – Authorization of the Certificates."
Paying Agent/Registrar	The initial paying agent/registrar is The Bank of New York Mellon Trust Company, N.A, Dallas, Texas. The City intends to use the book-entry-only system of The Depository Trust Company, New York, New York ("DTC"), but reserves the right on its behalf or on behalf of the DTC to discontinue such system. See "THE OBLIGATIONS - Book-Entry-Only System."
Source of Payment	The Bonds, when issued, will constitute valid and binding obligations of the City and will be payable from the proceeds of a continuing, direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City. See "THE OBLIGATIONS - Source of Payment of the Bonds." The Certificates, when issued, will constitute valid and binding obligations of the City and will be payable from the proceeds of a continuing, direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City and will be further payable from a limited pledge of a subordinate lien on the net revenues of the City's waterworks and sanitary sewer system (the "System") in an amount not to exceed $1,000. See "THE OBLIGATIONS - Source of Payment of the Certificates."

Use of Proceeds	Proceeds from the sale of the Bonds will be used for (i) the renovation, expansion, development and equipment for the Seabrook Fire Station, including additions for emergency medical services, emergency management services and an emergency operations center; (ii) the purchase and equipment for a new fire engine and construction, acquisition, development and equipment for a fire training tower; and (iii) the payment of costs of issuing the Bonds. See "THE OBLIGATIONS - Use of Proceeds" and "- Sources and Uses of Funds." Proceeds from the sale of the Certificates will be used for (i) the acquisition, construction, improvement, expansion, rehabilitation and repair of City streets, alleys, sidewalks, and drainage systems; and (ii) the payment of costs of issuing the Certificates. See "THE OBLIGATIONS - Use of Proceeds" and "- Sources and Uses of Funds."
Ratings	S&P Global Ratings (Unenhanced) ... "AA" See "SALE AND DISTRIBUTION OF THE OBLIGATIONS – Municipal Bond Ratings."
Tax Exemption	In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Obligations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Obligations is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Obligations included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligations. See "TAX MATTERS" herein.
Qualified Tax-Exempt Obligations	The Obligations will NOT be designated as "qualified tax-exempt obligations" for financial institutions.

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TABLE 1
- Selected Financial Information -
(Unaudited)

2023 Certified Net Taxable Assessed Valuation (100% of estimated market value)	$ 1,872,551,911	(a)
Direct Debt:		
Outstanding Tax Supported Debt (as of February 1, 2024)	$ 30,748,234	
Plus: The Bonds	4,150,000	
Plus: The Certificates	9,715,000	
Less: Self Supporting General Obligation Debt	(16,203,575)	(b)
Total Tax Supported Debt	$ 28,409,659	
Estimated Overlapping Debt	$ 64,037,070	
Direct and Estimated Overlapping Debt	$ 92,446,729	
Debt Service Fund Balance (as of September 30, 2023)	$ 2,120,763	(c)

	% of 2023 Certified Taxable Assessed Valuation	Per Capita (15,152)
Debt Ratios: (b)(d)		
Direct Tax Supported Debt	1.52%	$1,875
Direct Tax Supported and Estimated Overlapping Debt	4.94%	$6,101

2023 Tax Rate (per $100 of Assessed Valuation)		
Maintenance and Operation	$ 0.352187	
Debt Service	0.105568	
Total	$ 0.457755	
Annual Debt Service Requirements:		
Average (Fiscal Years 2024-2049)	$ 1,610,953	(d)
Maximum (2027)	$ 2,898,107	(d)
Tax Collections:		
Arithmetic Average, Tax Years (2018-2022) - Current Year Collections	98.77%	
- Total Collections	99.34%	

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

INTRODUCTION

This Official Statement and Appendices A and B attached hereto provide certain information with respect to the issuance by the City of Seabrook, Texas (the "City") in connection with the offering by the City of its $4,150,000 General Obligation Bonds, Series 2024 (the "Bonds") and $9,715,000 Certificates of Obligation, Series 2024 (the "Certificates," and collectively with the Bonds, the "Obligations").

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

The Certificates, when issued, will constitute valid and binding obligations of the City and will be payable from the proceeds of a continuing, direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City and will be further payable from a limited pledge of a subordinate lien on the net revenues of the City's waterworks and sanitary sewer system (the "System") in an amount not to exceed $1,000. See "THE OBLIGATIONS - Source of Payment of the Certificates."

There follows in this Official Statement descriptions of the Obligations, the plan of financing, and certain information about the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City upon request. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance authorizing the sale and issuance of the Bonds (the "Bond Ordinance") and the ordinance authorizing the sale and issuance of the Certificates (the "Certificate Ordinance," and together with the Bond Ordinance, the "Ordinances") approved by the City Council on March 19, 2024, except as otherwise indicated herein.

Separate Securities

The Bonds and the Certificates are being offered concurrently by the City under a common Official Statement. The Bonds and the Certificates are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Bonds and the Certificates share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of holders, and other features.

THE OBLIGATIONS

Description

The Obligations are dated April 1, 2024 and bear interest from the date of initial delivery (the "Delivery Date") to the underwriters listed on the cover page hereof (the "Underwriters") at the stated interest rates indicated on page ii of this Official Statement, which interest is payable initially on September 1, 2024 and each March 1 and September 1 thereafter until the earlier of maturity or prior redemption.

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

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

Optional Redemption

The Obligations maturing on and after September 1, 2034 are subject to redemption at the option of the City on September 1, 2033 or any date thereafter, in whole or from time to time in part, at a price of the par value thereof plus accrued interest from the most recent interest payment date to the date of redemption. If less than all of the Obligations are redeemed at any time, the maturities of Obligations to be redeemed shall be selected by the City. If less than all of a maturity of Obligations is to be redeemed, the Paying Agent/Registrar (or DTC while the Obligations are in Book-Entry-Only form) shall determine by lot or other customary method that results in random selection, the Obligations, or portions thereof, within such maturity to be redeemed. If an Obligation (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Obligation (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

- Term Bonds -

In addition to the optional redemption provisions described above, the Bonds maturing September 1, 2049 (the "Term Bonds") are subject to mandatory sinking fund redemption and shall be redeemed by the City prior to their scheduled maturities on September 1 in the years and in the amounts set forth below at a redemption price equal to the principal amount redeemed plus accrued interest to the mandatory redemption date (the "Mandatory Redemption Dates"):

$1,300,000 Term Bond Maturing September 1, 2049 (Interest Rate 4.25%)

Mandatory Redemption Date	Principal Amount
September 1, 2045	$240,000
September 1, 2046	250,000
September 1, 2047	260,000
September 1, 2048	270,000
September 1, 2049 (a)	280,000

(a) Stated maturity.

- Term Certificates -

In addition to the optional redemption provisions described above, the Certificates maturing September 1, 2049 (the "Term Certificates") (the "Term Certificates," and collectively with the Term Bonds, the "Term Obligations") are subject to mandatory sinking fund redemption and shall be redeemed by the City prior to their scheduled maturities on September 1 in the years and in the amounts set forth below at a redemption price equal to the principal amount redeemed plus accrued interest to the mandatory redemption date (the "Mandatory Redemption Dates"):

$3,305,000 Term Certificate Maturing September 1, 2049 (Interest Rate 4.00%)

Mandatory Redemption Date	Principal Amount
September 1, 2045	$610,000
September 1, 2046	635,000
September 1, 2047	660,000
September 1, 2048	685,000
September 1, 2049 (a)	715,000

(a) Stated maturity.

The principal amount of the Term Obligations required to be redeemed pursuant to the operation of such mandatory sinking fund shall be reduced by the principal amount of any Obligations that, at least 45 days prior to the mandatory sinking fund redemption date, shall have been (1) purchased by the City and delivered to the Paying Agent/Registrar for redemption or (2) redeemed pursuant to the optional redemption provision described above and delivered to the Paying Agent/Registrar for cancellation.

Notice of Redemption

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

The City reserves the right to give notice of its election or direction to redeem Obligations 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 Obligations subject to conditional redemption and such redemption has been rescinded shall remain outstanding and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the City to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

Book-Entry-Only System

This section describes how ownership of the Obligations is to be transferred and how the principal of, premium, if any, and interest on the Obligations are to be paid to and credited by DTC while the Obligations are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Financial Advisor and the Underwriters believe the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

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

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

U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

Redemption proceeds and principal and interest payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Successor Paying Agent/Registrar

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

Defeasance

The Ordinances provide for the defeasance of the Obligations when the payment of the principal of and premium, if any, on such Obligations, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar, or other authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Government Securities to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Obligations. The Ordinances provide that "Government Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, or (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. The City has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

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

Source of Payment of the Bonds

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

Source of Payment of the Certificates

The Certificates, when issued, will constitute valid and binding obligations of the City and will be payable from the proceeds of a continuing, direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City and will be further payable from a limited pledge of a subordinate lien on the net revenues of the City's waterworks and sanitary sewer system (the "System") in an amount not to exceed $1,000.

Authorization of the Bonds

The Bonds are issued pursuant to applicable provisions of the Constitution and laws of the State, including particularly Chapter 1331, Texas Government Code, as amended, an election held within the City on November 7, 2023, and the provisions of the Bond Ordinance. The Bonds constitute the City's total bond authorization of $4,150,000 approved at an election held on November 7, 2023.

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

TABLE 2
- Authorized But Unissued Bonds -

Date Authorized	Purpose	Amount Authorized	Issued To Date	Less: The Bonds (a)	Remaining Authorized But Unissued
11/07/2023	Public Safety	$2,400,000	$-0-	$2,400,000	$-0-
11/07/2023	Fire Improvements	1,905,000	-0-	1,905,000	-0-
	Grand Totals	$4,305,000	$-0-	$4,305,000	$-0-

(a) Includes $4,150,000 par amount of the Bonds and $155,000 in premium generated on the sale of the Bonds and charged against voter authorization.

Authorization of the Certificates

The Certificates are being issued pursuant to the applicable provisions of the Constitution and laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the provisions of the Certificate Ordinance. No election is required as a prerequisite to the sale and issuance of certificates of obligation, unless a petition signed by 5% of the qualified voters of the City is filed with the City Secretary protesting the issuance of such certificates prior to their authorization. In addition, there has been no bond election to authorize bonds for the purpose for which the Certificates are being issued within the last three years that has failed.

Use of Proceeds

- The Bonds -

Proceeds from the sale of the Bonds will be used for (i) the renovation, expansion, development and equipment for the Seabrook Fire Station, including additions for emergency medical services, emergency management services and an emergency operations center; (ii) the purchase and equipment for a new fire engine and construction, acquisition, development and equipment for a fire training tower; and (iii) the payment of costs of issuing the Bonds. See "THE OBLIGATIONS - Sources and Uses of Funds."

- The Certificates -

Proceeds from the sale of the Certificates will be used for (i) the acquisition, construction, improvement, expansion, rehabilitation and repair of City streets, alleys, sidewalks, and drainage systems; and (ii) the payment of costs of issuing the Certificates. See "THE OBLIGATIONS - Sources and Uses of Funds."

Sources and Uses of Funds

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

SOURCES OF FUNDS:		
Principal Amount of the Bonds	$	4,150,000.00
Net Premium on the Bonds		325,880.10
Total Sources of Funds	$	4,475,880.10
USES OF FUNDS		
Deposit to Construction Fund	$	4,305,000.00
Deposit to the Capitalized Interest Fund		76,902.78
Expenses:		
Underwriters' Discount		34,445.00
Other Issuance Expenses (a)		59,532.32
Total Uses of Funds	$	4,475,880.10

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

SOURCES OF FUNDS:		
Principal Amount of the Certificates	$	9,715,000.00
Net Premium on the Certificates		605,856.25
Total Sources of Funds	$	10,320,856.25
USES OF FUNDS		
Deposit to Construction Fund	$	10,000,000.00
Deposit to the Capitalized Interest Fund		176,050.00
Expenses:		
Underwriters' Discount		67,519.25
Other Issuance Expenses (a)		77,287.00
Total Uses of Funds	$	10,320,856.25

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

Future Debt

After the sale of the Bonds, which are expected to be delivered concurrently with the Certificates on April 11, 2024, the City will not have any authorized but unissued bonds from its November 7, 2023 election. The City may also issue additional certificates of obligation for City projects. Depending on the rate of development within the City, changes in assessed valuation, and the amounts, interest rates, maturities and time of issuance of additional certificates of obligation or bonds, increases in the City's annual ad valorem tax rate may be required to provide for the payment of the principal of and interest on the City's outstanding bonds, the Obligations, and such future certificates of obligation or bonds.

Remedies in the Event of Default

The Ordinances do not specify events of default with respect to the Obligations. If the City defaults in the payment of principal, interest, or redemption price on the Obligations when due, or if it fails to make payments into any fund or funds created in the Ordinances, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinances, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Obligations if there is no other available remedy at law to compel performance of the Obligations or Ordinances and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinances do not provide for the appointment of a trustee to represent the interest of the owners upon any failure of the City to perform in accordance with the terms of the Ordinances, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3rd 325 (Tex. 2006) ("*Tooke*"), that a waiver of governmental immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's governmental immunity from a suit for money damages, Obligation holders may not be able to bring such a suit against the City for breach of the Obligations or covenants in the Ordinances. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Obligations.

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

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the State. In its decision, the Court held that since the Local Government Immunity Waiver Act waives governmental immunity in certain breach of contract claims without addressing whether the waiver applies to a governmental function or a proprietary function of a city, the Court could not reasonably read the Local Government Immunity Waiver Act to evidence legislative intent to waive immunity when a city performs a proprietary function.

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

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general certificate of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Obligation 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 Obligations are qualified with respect to the customary rights of debtors relative to their creditors.

INVESTMENT AUTHORITY AND INVESTMENT OBJECTIVES OF THE CITY

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

Legal Investments

Under State law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the City selects from a list the governing body or a designated investment committee of the City adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the City selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the City's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the City appoints as the City's custodian of the banking deposits issued for the City's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of Chapter 2256, Texas Government Code (the "Public Funds Investment Act"), that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for City deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d), Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements as defined in the Public Funds Investment Act, that have a defined termination date, are secured by a combination of cash and obligations described in clauses (1) or (13) in this paragraph, require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with stated maturity of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated not less than "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and have either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract.

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

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

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

Investment Policies

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

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

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

Additional Provisions

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

Current Investments

The City's investment balance as of September 30, 2023 was as follows:

TABLE 3
- Current Investments -

	Book Value	Market Value
Investment Pools	$35,995,608	$35,995,608
Total Portfolio	$35,995,608	$35,995,608

CITY TAX DEBT

Tax Supported Debt Statement

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

Bonded Indebtedness Payable from Ad Valorem Taxes

2023 Certified Net Taxable Assessed Valuation (100% of estimated market value)	$	1,872,551,911	(a)
Direct Debt:			
Outstanding Tax Supported Debt (as of February 1, 2024)	$	30,748,234	
Plus: The Bonds		4,150,000	
Plus: The Certificates		9,715,000	
Less: Self-Supporting General Obligation Debt		(16,203,575)	(b)
Total Tax Supported Debt	$	28,409,659	
Debt Service Fund Balance (as of September 30, 2023)	$	2,120,763	(c)

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

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

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

Tax Supported Debt Service Schedule

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

TABLE 4
- Tax Supported Debt Service Schedule -

Year Ending 30-Sep	Current Total Debt Service	Plus: The Series 2024 General Obligation Bonds Principal	Interest	Total	Plus: The Series 2024 Certificates of Obligation Principal	Interest	Total	Less: Self-Supporting Debt Service (a)	Total Debt Service Requirements (b)
2024	$ 3,331,603		$ 76,903	$ 76,903		$ 176,050	$ 176,050	$ 1,292,747	$ 2,291,809
2025	3,326,005	$ 80,000	197,750	277,750	$ 125,000	452,700	577,700	1,286,340	2,895,115
2026	3,177,531	85,000	193,750	278,750	130,000	446,450	576,450	1,136,807	2,895,925
2027	3,172,809	90,000	189,500	279,500	140,000	439,950	579,950	1,134,152	2,898,107
2028	2,642,030	95,000	185,000	280,000	160,000	432,950	592,950	1,517,487	1,997,493
2029	2,640,149	100,000	180,250	280,250	170,000	424,950	594,950	1,515,686	1,999,663
2030	2,639,596	100,000	175,250	275,250	180,000	416,450	596,450	1,514,338	1,996,959
2031	2,636,921	110,000	170,250	280,250	185,000	407,450	592,450	1,513,977	1,995,643
2032	2,441,992	115,000	164,750	279,750	195,000	398,200	593,200	1,318,835	1,996,107
2033	2,440,833	120,000	159,000	279,000	205,000	388,450	593,450	1,316,630	1,996,652
2034	2,442,519	125,000	153,000	278,000	215,000	378,200	593,200	1,316,847	1,996,872
2035	1,466,027	145,000	146,750	291,750	375,000	367,450	742,450	1,228,996	1,271,231
2036	1,468,507	150,000	139,500	289,500	390,000	348,700	738,700	1,230,183	1,266,524
2037	1,469,383	160,000	132,000	292,000	410,000	329,200	739,200	1,231,588	1,268,995
2038	1,458,654	170,000	124,000	294,000	430,000	308,700	738,700	1,223,150	1,268,204
2039	1,171,000	180,000	115,500	295,500	455,000	287,200	742,200	940,959	1,267,741
2040	1,143,200	185,000	106,500	291,500	470,000	264,450	734,450	920,209	1,248,941
2041	384,800	195,000	97,250	292,250	505,000	240,950	745,950	384,800	1,038,200
2042		205,000	87,500	292,500	530,000	215,700	745,700		1,038,200
2043		215,000	77,250	292,250	555,000	189,200	744,200		1,036,450
2044		225,000	66,500	291,500	585,000	161,450	746,450		1,037,950
2045		240,000	55,250	295,250	610,000	132,200	742,200		1,037,450
2046		250,000	45,050	295,050	635,000	107,800	742,800		1,037,850
2047		260,000	34,425	294,425	660,000	82,400	742,400		1,036,825
2048		270,000	23,375	293,375	685,000	56,000	741,000		1,034,375
2049		280,000	11,900	291,900	715,000	28,600	743,600		1,035,500
Totals	$39,453,559	$4,150,000	$3,108,153	$7,258,153	$9,715,000	$7,481,800	$17,196,800	$22,023,730	$41,884,782

Average Annual Requirements (2024-2049).. $1,610,953(c)
Maximum Annual Requirement (2027) .... $2,898,107(c)

(a) Represents tax-supported debt that is considered self-supporting debt and is currently paid from revenues of the City's Waterworks and Sewer System (the "System") and Seabrook EDC (as defined herein) pursuant to a policy determination by City Council, which is subject to change. Includes a portion of the City's General Obligation Refunding Bonds, Series 2013, Certificates of Obligation, Series 2016, Certificates of Obligation, Series 2016A, State Infrastructure Bank Loan, Series 2018 and Certificates of Obligation, Series 2020.
(b) Totals may not tie due to rounding.
(c) Includes the Obligations and excludes the self-supporting debt payable from revenues of the System and the Seabrook EDC.

Estimated Overlapping Debt

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

TABLE 5
- Estimated Overlapping Debt -

Taxing Jurisdiction	Debt as of December 31, 2023	Overlapping Percent	Overlapping Amount
Clear Creek Independent School District	$ 990,550,000	5.46%	$54,084,030
Harris County	1,863,876,319	0.27	5,032,466
Harris County Department of Education	13,865,000	0.27	37,436
Harris County Flood Control District	991,095,00	0.27	2,675,957
Harris County Hospital District	70,970,000	0.27	191,619
Harris County MUD #373	865,000	100.00	865,000
Port of Houston Authority	426,134,397	0.27	1,150,563
TOTAL ESTIMATED OVERLAPPING			$64,037,070
The City			28,409,659(a)
Total Direct and Estimated Overlapping Debt			$92,446,729(a)

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

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

Debt Ratios

	Direct Debt (a)	Direct and Overlapping Debt (a)
Per 2023 Certified Net Taxable Assessed Valuation ($1,872,551,911)	1.52%	4.94%
Per Capita (15,152)	$1,875	$6,101

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

AD VALOREM TAX PROCEDURES

Ad Valorem Property Taxation

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

Valuation of Taxable Property. The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board ("Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of 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, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

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

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land.

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

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

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

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

State Mandated Homestead Exemptions. State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

Local Option Homestead Exemptions. The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than $5,000) and (2) an additional exemption of the market value of the homesteads of persons 65 years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The City granted an additional homestead exemption for the 2023 tax year in the amount of 20% of market value of the homestead with a minimum of $5,000. The City also grants a $25,000 exemption to persons over age 65.

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

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

Freeport Exemptions/Goods-in-Transit. Certain goods detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1,1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, principally inventory, that are stored for the purposes of assembling, storing, manufacturing, processing or fabricating the goods in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days ("Goods-in-Transit"), are exempt from ad valorem taxation unless a taxing unit takes official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax Goods-in-Transit beginning the following tax year. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include special inventories such as motor vehicles or boats in a dealer's retail inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property. The City has taken official action and determined not to grant a Goods-in-Transit exemption.

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

Tax Increment Financing Zones. A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones ("TIRZ") within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the "Incremental Value" in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, generally located within the TIRZ. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "Incremental Value", and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

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

Public Hearing and Maintenance and Operation Tax Rate Limitations

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

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

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

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

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

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

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

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

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

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

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

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

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

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

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

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Obligations. During the 2021 legislative session, the Texas Legislature adopted House Bill 1869. House Bill 1869 treats the ad valorem taxes levied to pay debt service on certain non-voted debt approved after September 1, 2021 as part of the maintenance and operations tax rate calculations. The result is that the tax levied for debt service on such non-voted debt will be subject to the maintenance and operations tax limitations described in this subcaption. The Certificates are <u>not</u> subject to the limitations imposed by House Bill 1869.

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

Debt Tax Rate Limitations

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

Levy and Collection of Taxes

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

City's Rights in the Event of Tax Delinquencies

Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

TAX DATA

Historical Analysis of Tax Collection

TABLE 6
- Collection Ratios -

Tax Year	Net Assessed Valuation (a)	Tax Rate Per $100 of Assessed Valuation	Adjusted Tax Levy	% of Collections: Current Year	% of Collections: Current and Prior Years	Fiscal Year Ending 9/30
2012	$ 845,917,965	$0.665232	$5,627,317	98.47%	99.81%	2013
2013	895,700,929	0.651229	5,766,934	98.84	99.82	2014
2014	919,496,155	0.640030	5,984,940	98.72	99.79	2015
2015	1,029,306,515	0.612611	6,329,284	98.73	99.77	2016
2016	1,164,299,182	0.565177	6,411,690	98.95	99.73	2017
2017	1,186,692,077	0.574911	6,960,493	98.96	99.69	2018
2018	1,245,026,528	0.551983	6,997,431	98.64	99.70	2019
2019	1,310,944,169	0.551983	7,612,966	98.86	99.65	2020
2020	1,377,542,814	0.543613	7,977,305	98.65	99.63	2021
2021	1,491,038,474	0.524444	8,042,633	99.04	99.04	2022
2022	1,657,765,349	0.476526	8,075,029	98.68(b)	98.68(b)	2023
2023	1,872,551,911	0.457755	8,347,273	(In Process of Collection)		2024

(a) Certified by the Harris Central Appraisal District and is net of exemptions. Such value is further subject to change as additions, corrections, and deletions are made to the tax roll.
(b) Represents unaudited collections as of September 30, 2023.

TABLE 7
- Tax Rate Distribution -

	2023	2022	2021	2020	2019
Maintenance	$0.352187	$0.356572	$0.390106	$0.399851	$0.403139
Debt Service	0.105568	0.119954	0.134338	0.143762	0.148844
Total	$0.457755	$0.476526	$0.524444	$0.543613	$0.551983

Analysis of Tax Base

TABLE 8
- Tax Base Distribution -

	2023 Tax Roll (a)		2022 Tax Roll (a)	
Type of Property	Amount	%	Amount	%
Residential	$1,732,575,140	76.36%	$1,558,471,724	78.38%
Commercial	261,601,478	11.53	200,330,582	10.08
Industrial	1,357,388	0.06	4,464,022	0.22
Utilities	22,104,076	0.97	20,436,985	1.03
Vacant	38,776,271	1.71	37,722,868	1.90
Lots/Tracts/Acreage	29,640,478	1.31	27,881,639	1.40
Minerals	-0-	0.00	-0-	0.00
Other Personal	182,800,286	8.06	138,995,146	6.99
Gross Assessed Value	$2,268,855,117	100.00%	$1,988,302,966	100.00%
Less: Exemption	(396,342,120)		(330,537,617)	
Net Assessed Value	$1,872,512,997		$1,657,765,349	

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

TABLE 9
- Exemptions -

Type	2023	2022
Homestead	$352,691,357	$294,256,868
Surviving Spouse	850,000	825,000
Over 65	21,652,250	19,964,750
Disability	1,662,500	1,687,500
Disabled Veteran	15,579,871	11,924,155
Prorations (Solar)	465,771	---
Under $500	31,404	---
Vehicles	3,408,967	1,879,344
Total Exemptions	$396,342,120	$330,537,617

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TABLE 10
- Principal Taxpayers -

Principal Taxpayer	Type of Property	2023 Taxable Assessed Valuation	2022 Taxable Assessed Valuation
Western Rim Investors 2014 1 LP	Apartments, Retail, Commercial	$ 76,715,507	$ 75,660,220
Aireit Bayport 146 DC LP	Commercial	49,500,000	(a)
Seabrook Properties LLC	Commercial	45,272,247	35,785,170
Vista Shores 2011 LP	Apartments	32,251,952	33,178,365
WREF Bar Harbor LP	Apartments	31,636,076	26,759,403
Sinbad Landing Corp.	Apartments	28,584,636	25,239,416
Duke Realty Limited Partnership	Warehouse	22,554,605	21,020,965
Marinemax Inc.	Commercial	19,761,742	(a)
3000 NASA Parkway LLC	Real Estate, Hotel	18,121,584	16,685,955
Grove at Seabrook LLC	Apartments	16,283,313	14,994,810
Regatta Bay Property Corp.	Apartments	(a)	27,596,658
NASA Road Apartments LLC	Apartments	(a)	13,163,097
Total Top Ten Principal Taxpayers		$340,681,662	$290,084,059
Percentage Top Ten Principal Taxpayers Comprise of Tax Roll		18.19%	17.50%

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

TABLE 11
- Tax Adequacy -

Average Annual Debt Service Requirements (2024-2049)	$1,610,953 (a)
Tax Rate of $0.091 per $100 assessed valuation against the 2023 Certified Assessed Valuation at 95% collection produces...	$1,618,821
Maximum Annual Tax Debt Service Requirements (in the year 2027)...............................	$2,898,107 (a)
Tax Rate of $0.163 per $100 assessed valuation against the 2023 Certified Assessed Valuation at 95% collection produces...	$2,899,647

(a) Includes the Obligations and excludes the self-supporting debt payable from revenues of the System and the Seabrook EDC (defined herein).

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Sales Tax

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

TABLE 12
- Sales Tax –

Fiscal Year	Sales Tax Collected	Fiscal Year	Sales Tax Collected
2013	$1,503,446	2019	$1,804,154
2014	1,603,170	2020	1,942,488
2015	1,770,303	2021	2,176,043
2016	1,830,686	2022	2,308,517
2017	1,954,712	2023(a)	2,445,157
2018	1,891,325		

(a) Unaudited as of September 30, 2023. The unaudited information has not been prepared or reviewed by the City's independent auditor. The information is subject to change upon completion of the City's annual audit.

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

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

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SELECTED FINANCIAL DATA

Historical Operations of the City's General Fund

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

TABLE 13
- Selected Financial Data -

	Fiscal Year Ended September 30,				
	2023 (a)	2022	2021	2020	2019
Revenues:					
Property Taxes	$ 6,044,300	$ 6,016,045	$ 5,804,837	$ 5,558,037	$ 5,104,758
Sales and Use Tax	2,592,678	2,418,302	2,368,645	2,071,352	1,947,035
Franchise Fees & Local Taxes	747,093	689,965	728,772	735,091	792,656
License and Permits	276,441	770,103	318,576	368,305	291,126
Fines and Forfeitures	300,923	357,586	350,581	548,436	510,511
Charges for Service	486,789	718,725	764,205	634,275	84,266
Intergovernmental	437,310	404,092	460,097	1,182,335	432,945
Investment Revenue	379,157	74,913	4,109	78,076	221,041
Industrial District Agreement	128,662				
Other Revenue	469,477	216,054	445,217	423,892	388,101
Total Revenues	$11,862,830	$11,665,785	$11,245,039	$11,599,799	$ 9,772,439
Expenditures:					
General Government	$ 4,499,941	$ 3,601,766	$ 3,462,894	$ 3,605,905	$ 3,405,490
Public Safety	7,273,059	7,149,923	7,119,700	7,674,983	5,641,744
Public Works	2,199,856	1,942,018	1,845,777	1,900,179	2,060,525
Total Expenditures	$13,972,856	$12,693,707	$12,428,371	$13,181,067	$11,107,759
Excess (Deficiency) Revenues Over Expenditures	$ (2,110,026)	$ (1,027,922)	$ (1,183,332)	$ (1,581,268)	$ (1,335,320)
Operating Transfers In	$ 5,543,541	$ 2,243,294	$ 2,135,695	$ 2,129,548	$ 2,186,658
Operating Transfers (Out)	(292,000)	(2,866,027)	(2,440,704)	(916,425)	(350,745)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ 5,251,541	$ (1,650,655)	$ (1,488,341)	$ (368,145)	$ 500,593
Beginning Fund Balance (Restated)	$ 5,927,518	$ 7,578,173	$ 9,066,514	$ 9,434,659	$ 8,934,066
Ending General Fund Balance	$ 9,069,033	$ 5,927,518	$ 7,578,173	$ 9,066,514	$ 9,434,659

Source: For the fiscal years ending September 30, 2019 through 2022, Comprehensive Annual Financial Reports of the City of Seabrook.
(a) Unaudited as of September 30, 2023. The information is subject to change upon completion of the City's annual audit.

Pension Fund

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

For fiscal year 2022, the City contributed 15.62% of covered payroll, which amounted to a contribution of $1,247,906 for eligible employees to TMRS, with those employees contributing 7.00%. The City's unfunded pension obligation for this plan totaled $1,671,985 at December 31, 2021, which will be amortized over a period of thirty years or less by contributions from the City which are a level percentage of payroll. For additional information, see "APPENDIX B – Audited Financial Statements of the City", Note IV.C. p. 68-72.

Other Postemployment Benefits

The City participates in a cost-sharing multiple-employer defined benefits group term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund ("SDBF"). The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for a retired employee is a fixed amount of $7,500. The City offers the supplemental death benefit to both active and retired employees. The City contributes to the SDBF at a contractually required rate determined by annual actuarial valuation. The City's calculated liability as of December 31, 2021 was $434,494. For additional information, see "APPENDIX B – Audited Financial Statements of the City", Note IV-D, p. 72-75.

Financial Statements

A copy of the City's Financial Statements for the fiscal year ended September 30, 2022, is attached hereto as APPENDIX B. Copies of such statements for preceding years are available, for a fee, upon request.

SEVERE WEATHER EVENTS

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

INFECTIOUS DISEASE OUTBREAK – COVID-19

On April 10, 2023, the President of the United States signed into law a bill that ended the national emergency declaration resulting from COVID-19, a respiratory disease caused by a strain of coronavirus, and on May 5, 2023, the World Health Organization declared the outbreak of COVID-19 over as a global health emergency. However, COVID-19 continues to affect many parts of the world, including the United States and the State.

The outbreak of COVID-19, characterized as a pandemic by the World Health Organization for over three years, negatively affected travel, commerce, the global supply chain, and financial markets globally, and may negatively affect economic growth and financial markets worldwide in the future. The City has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however, the City cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

INFORMATION TECHNOLOGY AND CYBERSECURITY

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

EXPOSURE TO OIL AND GAS INDUSTRY

In the past, the greater Houston area has been particularly affected by adverse conditions in the oil and gas industry, and adverse conditions in the oil and gas industry and spillover effects into other industries could adversely impact the businesses of ad valorem property taxpayers and the property values in the City resulting in a reduction in property tax revenue. The Obligations 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 Obligations.

ADMINISTRATION OF THE CITY

Mayor and City Council

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

Council Members	Position	Term Expires (May)	Occupation
Thom Kolupski	Mayor	2025	Owner of Architectural/Engineering Project Management firm
Jackie Rasco	Council Member Position 1	2026	Business Administrator of Network Firm
Rob Hefner	Council Member Position 2	2025	Owner of Construction Management Firm
Tom Tollett	Council Member Position 3	2026	Owner, Tommy's Restaurant Oyster Bar
Michael Giangrosso	Council Member Position 4	2025	Hotel Manager
Buddy Hammann	Council Member Mayor Pro Tem Position 5	2026	HR Consultant
Joe Machol	Council Member Position 6	2025	Sports Official and Business Owner

Administration

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

(1) Appoint and remove all department heads and all other employees in the administrative service of the City and may authorize the head of a department to appoint and remove subordinates in his respective department;

(2) Prepare the budget annually, submit it to Council, and be responsible for its administration;

(3) Prepare and submit to Council a complete report on the finances and administrative activities of the City;

(4) Keep Council advised of the financial condition and future needs of the City and make appropriate recommendations; and

(5) Perform such other necessary duties as prescribed by the Charter or required by the Council.

Members of the Administrative Staff are described below:

Staff Member	Position	Years in Position	Years of Service
Gayle Cook	City Manager	10 Years	21 Years
Sean Landis	Deputy City Manager	10 Years	15 Years
Rolf Nelson	Director of Public Safety	5 Months	5 Months
Kevin Padgett	Director of Public Services	7 Years	32 Years
Rachel Lewis	City Secretary	3 Months	3 Months
Michael Gibbs	Finance Director	11 Years	16 Years

Consultants

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

Bond Counsel .... Orrick, Herrington & Sutcliffe LLP
Houston, Texas

Auditor .... Belt Harris Pechacek, LLLP
Houston, Texas

Financial Advisor .... BOK Financial Securities, Inc.
Houston, Texas

LEGAL MATTERS

Legal Opinions

The delivery of the Obligations is subject to the approving opinions of the Attorney General of Texas to the effect that the Obligations are valid and legally binding obligations of the City and the approving legal opinions of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City ("Bond Counsel"), in substantially the forms attached as APPENDIX C.

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

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

No-Litigation Certificate

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

No Material Adverse Change

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

TAX MATTERS

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

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

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

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

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

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

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The City will provide certain updated financial information and operating data to the MSRB annually via EMMA. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement in Tables 1-4 and 6-13, and in Appendix "B". The City will update and provide this information within six months after the end of each fiscal year.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by United States Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12"). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not commissioned or are not available by the required time, the City will provide unaudited financial statements by the time required and audited financial statements when and if they become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix "B" or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

Material Event Notices

The City will also provide timely notices of certain events to the MSRB. The City will provide notice in a timely manner not in excess of ten business days after the occurrence of the event of any of the following events with respect to the Obligations: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material; (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties. Neither the Obligations nor the Ordinance make any provision for debt service reserves, liquidity enhancement or credit enhancement, merger, consolidation, or acquisition. In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

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

Availability of Information

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

Limitations and Amendments

The City has agreed to update information and to provide notices of material events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from a breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Obligations may seek a writ of mandamus to compel the City to comply with its agreement. The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an Underwriter to purchase or sell Obligations in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Obligations 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 Obligations. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of the SEC Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an Underwriter from lawfully purchasing or selling Obligations in the primary offering of the Obligations. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings

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

FINANCIAL ADVISOR

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

AUDITED FINANCIAL STATEMENTS

Belt Harris Pechacek, LLLP, the City's independent auditor, has not reviewed, commented on, or approved, and is not associated with, this Official Statement. The report of Belt Harris Pechacek, LLLP relating to the City's financial statements for the fiscal year ended September 30, 2022 is included in this Official Statement in APPENDIX B; however, Belt Harris Pechacek, LLLP, has not performed any procedures on such financial statements since the date of such report, and has not performed any procedures on any other financial information of the City, including without limitation any of the information contained in this Official Statement, and has not been asked to consent to the inclusion of its report, or otherwise be associated with this Official Statement.

GENERAL CONSIDERATIONS

Sources and Compilation of Information

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

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

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

Forward Looking Statements

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

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

Updating of Official Statement

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

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

/s/ Thom Kolupski
Mayor
City of Seabrook, Texas

ATTEST:

/s/ Rachel Lewis
City Secretary
City of Seabrook, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY OF SEABROOK, TEXAS

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

ECONOMIC BACKGROUND

General

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

- History and Location -

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

- The Port of Houston Authority -

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

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

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

ECONOMIC AND GROWTH INDICATORS

U.S. Census of Population (a)

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

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

Employment Statistics

State of Texas

	2024 (a)	2023	2022	2021	2020
Labor Force	15,295,668	15,067,153	14,672,312	14,292,315	13,941,490
Employed	14,629,593	14,472,524	14,093,906	13,486,624	12,872,070
Unemployed	666,075	594,629	578,406	805,691	1,069,420
Unemployment Rate	4.4%	3.9%	3.9%	5.6%	7.7%

Harris County, Texas

	2024 (a)	2023	2022	2021	2020
Labor Force	2,457,918	2,414,902	2,341,765	2,292,623	2,274,838
Employed	2,344,815	2,312,228	2,241,382	2,146,642	2,070,430
Unemployed	113,103	102,674	100,383	145,981	204,408
Unemployment Rate	4.6%	4.3%	4.3%	6.4%	9.0%

Source: Texas Workforce Commission.
(a) As of February 29, 2024.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE CITY

City of Seabrook, Texas

Annual Comprehensive Financial Report

Fiscal Year Ended September 30, 2022

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

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ANNUAL
COMPREHENSIVE FINANCIAL REPORT

of the

CITY OF SEABROOK, TEXAS

For the Year Ended
September 30, 2022

Prepared by
City Administration and the Finance and Accounting Office

Gayle Cook
City Manager

Sean Landis
Assistant City Manager

Michael Gibbs
Director of Finance

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INTRODUCTORY SECTION

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SEABROOK

March 28, 2023

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

It is our pleasure to submit the Annual Comprehensive Financial Report (ACFR) on behalf of the City of Seabrook, Texas (the "City"). It is required each year that a complete set of financial statements is presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Annual Comprehensive Financial Report of the City for the fiscal year ended September 30, 2022.

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

The City's financial statements have been audited by Belt Harris Pechacek, LLLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2022 are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion that the financial statements for the year ended September 30, 2022 are fairly presented in conformity with U.S. GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

Profile of the Government

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

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

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

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

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

Local Economy

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

Regional Transportation Projects

The State Highway 146 (SH 146) expansion project began on February 13, 2019, with the planned project duration for 60 months (5 years). As of the end of the fiscal year 2022, the project management team still is on target for a December 2023 completion date. Phase 3, at the close of the fiscal year, was underway and included the construction of SH 146 main lanes, northbound entrance/exit ramps, and southbound entrance/exit ramps. Additionally in this phase, the widening of the Arterial Bridge, constructing the Express Bridge south of NASA 1, and the reconstruction of remaining northbound frontage road in Kemah and Seabrook was in progress.

The Red Bluff expansion project with Texas Department of Transportation (TxDOT) and Harris County within the City limits also remained an ongoing project that was significantly behind schedule for completion. This project includes the construction of a non-freeway thoroughfare consisting of widening to a four-lane divided roadway, including a bridge acrossTaylor Lake and 10-foot pedestrian and bicycle accommodations.

Other infrastructure projects still active by surrounding jurisdictions, include the Port of Houston rail spur project which began in the early part of 2020 and experienced contractor delays. The estimated completion moved from mid-2021 to 2022, and is now projected well into 2023. The rail will traverse SH 146 on the northern boundary of the City and create three (3) new at grade crossings on SH 146 and Old SH 146 serving rail service into the City's industrial districts.

In 2021, TxDOT bid and awarded a second SH 146 expansion project (CSJ 0389-05-087) that is a continuation of the Major Investment Study conducted in the late 1990s. In September 2022, the project was becoming active again after an environmental clearance hold.

Environmental clearances for what have now been combined into one project were originally issued in two different segments. The segment from Red Bluff Road to Fairmont Parkway was approved on March 26, 2009, and the segment from Spencer Highway to Fairmont Parkway was approved on May 15, 2017. Since the original environmental clearance dates, continued project development activities have identified the need for design changes. The previously approved designs include widening the existing four-lane undivided roadway to a six-lane divided facility (three lanes in each direction) and constructing four frontage roadways (two lanes in each direction) in selected locations. The previously approved designs did not include additional sidewalks.

The revised design changes include the addition of pedestrian and bicycle facilities that come into the City limits at the intersection of Red Bluff and SH 146. Sidewalks are proposed on both sides of SH 146 from Spencer Highway to McCabe Road and the east side of SH 146 from Port Road to Red Bluff Road. Sidepaths to accommodate both pedestrians and bicyclists are proposed on both sides of the road from McCabe Roadto the Shoreacres Boulevard intersection.

Economic Condition and Outlook

Property values, as projected, for the fiscal year were approximately $1.5 billion with strong economic development projects continuing to make progress. During the fiscal year, the City saw an elevation in permits and added valuation in both residential and commercial developments.

- Seabrook Towne Center (The Edge) – A Planned Unit Development (PUD) completed an amendment in April 2022 by ordinance and began site work at the end of the fiscal year. The project comprising of a 324-unit luxury multi-family apartment complex, 37,000 square feet of leasable retail space, and an entertainment plaza will be surrounded by walkable trails and parcels of commercial space facing SH 146 and Lakeside are included.
- Retail at the Commons – A retail center and a PUD approved in 2013, received permits and began construction in the fiscal year. The site will be 6.5 acres immediately in front of the Towers Luxury Apartments and will include 16,000 square feet of retail space. A convenience store with gas pumps on one of the remaining pad sites fronting SH 146 completed permits and is expected to complete in FY 2023.
- Seabrook Plaza (Compass Margaritaville) - PUD presentation is planned for late 2022 or

early 2023 before Planning and Zoning Committee and City Council for a boutique hotel with 170 rooms, an extended stay hotel with 76 rooms, a 21,500 square foot conference center and ballroom, 25,000 square feet of retail space, and an approximately 260-unit luxury multi-family complex located on 15 acres of land along Clear Lake.

- Transwestem Distribution Center – The City's light industrial district saw the start and significant completion of construction on the approximate $36 million state-of-the-art distribution center with the estimated 454,600 square feet in the 5800 block of Old Highway 146 at the northern boundary of the City limits. The completion and groundbreaking of the project is projected to be early 2023.
- Residential - Ellis Cove - Construction continued during the fiscal year on a 48 single-family development just off Respdorph near the Seabrook Town Center and is forecasted to be complete in 2023.
- Residential - Lake Mija Village, Section 3 - This development site work and construction started on Section 3 for Lake Mija Village with an estimated 75 single-family homes to be added to the subdivision just off Lake Mija.
- Residential - Oak Alley Estates - This smaller residential project consisting of 10 single family units completed one unit and continues its progress just off East Meyer and North Meyer.
- Residential - Old Seabrook Village, Sections A and B - This 88 single-family PUD consisting of Sections A through C continued development during the year adding to sections A and B.
- Residential - Ashley Ryann Subdivision - A smaller 6-unit single-family subdivision finished up its final lots completing by the end of the fiscal year.
- Multi-Family - Chesapeake Bay, Phase 3 and 4 - Completion of the remaining phases of the Planned Unit Development for a 55+ community progressed on phases and projected final is late 2023.

Long-Term Financial Planning

Debt Management Policy

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

Comprehensive Master Plan

In September 2022, the Comprehensive Master Plan Committee finalized their report for the plan update and presented for Council action. With Seabrook Economic Development Corporation financial assistance, the City contracted with Freese Nichols during the year to assist with the process and held a number of public meetings including the 2022 Community Survey for input.

Capital Improvement Plan

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

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

Bond Program 2020 – Certificates of Obligation

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

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

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

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

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

- Wastewater Treatment Plant Retrofit (CIP #WW9)
- El Mar Ditch Drainage Project (CIP# D2)
- Seascape Subdivision Drainage Project (CIP# Dl 1)
- Baybrook Subdivision Drainage Project (CIP# D12)
- Smart Water Meter Conversion (AMI) System (CIP# FAC6)

Major Initiatives
The following capital projects are in progress as multi-year initiatives and are at different stages of implementation which include design, procurement, or construction.

1. Pine Gully Wastewater Treatment Plant (CIP # WW9)
2. Pine Gully Hike and Bike Trail (CIP# Pl)
3. Meador Restroom Updates (CIP# P13)
4. Pine Gully Pier (CIP# P27)
5. Phone System (CIP# IT4)
6. Taylor Lake Water Line Cross (CIP# WS)
7. SH 146 Frontage Road to Red Bluff Water Line Interconnect (CIP# W21)
8. Todville Side Street Asphalt Rehab (CIP# S13)
9. Lakewood Yacht Club Drive -Asphalt Project (CIP# S25) Supervisory Control and Data Acquisition (SCADA) System (CIP# FAC12)
10. Fiber Loop (CIP# FAC31)

Certificate of Achievement

The City of Seabrook received the Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its Annual Comprehensive Financial Report for the year ended September 30, 2022. This was the 42^{nd} consecutive year that the City has received this prestigious award.

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

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

Acknowledgments

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

Gayle Cook
City Manager

Michael Gibbs
Director of Finance

City of Seabrook, Texas

ORGANIZATIONAL CHART

September 30, 2022

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Government Finance Officers Association

Certificate of Achievement for Excellencein Financial Reporting

Presented to

City of SeabrookTexas

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

September 30, 2021

Christopher P. Morrill

Executive Director/CEO

City of Seabrook, Texas

PRINCIPAL OFFICIALS

September 30, 2022

City Officials	Elective Position
Thomas G. Kolupski	Mayor
Jackie Rasco	Council Member – Position One
Rob Hefner	Council Member – Position Two
Tom Tollett	Council Member – Position Three
Mike Giangrosso	Council Member – Position Four
Walter "Buddy" Hammann III	Council Member – Position Five, Mayor Pro Tem
Joe Machol	Council Member – Position Six

Key Staff	Position
Gayle Cook	City Manager
Sean Landis	Assistant City Manager
Michael Gibbs	Director of Finance
Robin Lenio	City Secretary
Sean Wright	Police Chief
Kevin Padgett	Director of Public Services
Dick Gregg	Municipal Judge

FINANCIAL SECTION

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Belt Harris Pechacek
Certified Public Accountants
www.texasauditors.com

INDEPENDENT AUDITORS' REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Seabrook, Texas (the "City"), as of and for the year ended September 30, 2022, 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 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, 2022, 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 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 Auditors' 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.

Change in Accounting Principle

As described in the notes to the financial statements, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*, in fiscal year 2022. Our opinion is not modified with respect to this matter.

Houston · Austin · Bellville · Woodville
3210 Bingle Rd., Ste. 300, Houston, TX 77055 // P: 713.263.1123 // info@txauditors.com // www.texasauditors.com

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility 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 auditors' 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 generally accepted auditing standards 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 be a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Belt Harris Pechacek, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
March 28, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

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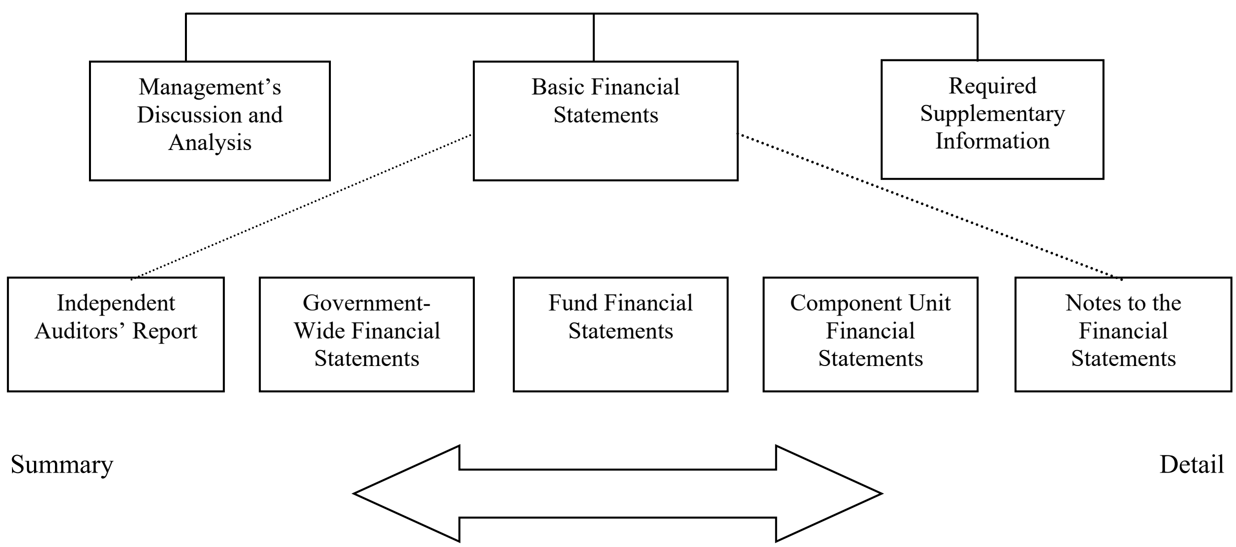
The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Seabrook, Texas (the "City") for the year ending September 30, 2022. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the transmittal letter at the front of this report and the City's basic financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT

Components of the Financial Section



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

Government-Wide Statements

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

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other nonfinancial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

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

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

1. *Governmental Activities* – Most of the City's basic services are reported here including public safety, public works, economic development, and general administrative services. Interest payments on the City's debt are also reported here. Sales tax, property tax, franchise fees, municipal court fines, and permit fees finance most of these activities.

2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the City's water, sewer, and sanitation services.

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

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

FUND FINANCIAL STATEMENTS

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

<u>Governmental Funds</u>

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental 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 10 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general, debt service, and capital project funds, which are considered to be major funds for reporting purposes.

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

Proprietary Funds

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

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

Notes to Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. For the City, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by $79,219,565 as of September 30, 2022. This compares with $64,895,156 from the prior fiscal year. The largest portion of the City's net position, 71 percent, reflects its investment in capital assets (e.g., land, building, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Current and other assets	$ 26,507,043	$ 24,729,753	$ 15,535,671	$ 18,647,618	$ 42,042,714	$ 43,377,371
Capital assets, net	44,299,231	43,393,418	42,110,535	28,309,221	86,409,766	71,702,639
Total Assets	70,806,274	68,123,171	57,646,206	46,956,839	128,452,480	115,080,010
Deferred charge on refunding	140,525	177,634	12,507	16,675	153,032	194,309
Deferred outflows - pensions	1,455,411	1,034,691	193,066	133,522	1,648,477	1,168,213
Deferred outflows - OPEB	89,305	97,700	-	-	89,305	97,700
Total Deferred Outflows of Resources	1,685,241	1,310,025	205,573	150,197	1,890,814	1,460,222
Long-term liabilities	19,631,031	22,810,509	20,417,881	21,531,930	40,048,912	44,342,439
Other liabilities	4,824,878	2,532,944	3,340,821	3,657,261	8,165,699	6,190,205
Total Liabilities	24,455,909	25,343,453	23,758,702	25,189,191	48,214,611	50,532,644
Deferred inflows - pensions	2,249,205	956,750	321,789	138,870	2,570,994	1,095,620
Deferred inflows - OPEB	13,950	16,812	-	-	13,950	16,812
Deferred inflows - leases	324,174	-	-	-	324,174	-
Total Deferred Inflows of Resources	2,587,329	973,562	321,789	138,870	2,909,118	1,112,432
Net Position:						
Net investment in capital assets	34,022,511	30,820,312	22,199,475	8,050,272	56,221,986	38,870,584
Restricted	5,738,814	5,539,625	4,433,873	4,433,874	10,172,687	9,973,499
Unrestricted	5,686,952	6,756,244	7,137,940	9,294,829	12,824,892	16,051,073
Total Net Position	$ 45,448,277	$ 43,116,181	$ 33,771,288	$ 21,778,975	$ 79,219,565	$ 64,895,156

A portion of the primary government's net position, $10,172,687 or 13%, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, $12,824,892 or 16%, may be used to meet the City's ongoing obligation to citizens and creditors.

The City's total net position increased by $14,324,409 as compared to the prior year. This increase was primarily related to increases in charges for services, capital grants and contributions, and sales tax revenue. The increase in charges for services was mostly due to increases in revenue received from licenses and permits. The increase in capital grants and contributions was primarily due to an increase in grant revenue received. The increase in sales tax revenue is due to a continued growth and return to normal commercial activity after the recovery of COVID.

As of September 30, 2022, the City reported a net pension liability of $1,671,985, which is part of the $40,048,912 reported in long-term liabilities. Details of these amounts are further discussed in the notes to the financial statements. Overall total assets increased primarily related to increases in capital assets mostly due to ongoing construction in progress. Total liabilities decreased compared to prior year primarily related to decreases in long term liability amounts at the end of the year as a result of a decrease in bond payables remaining.

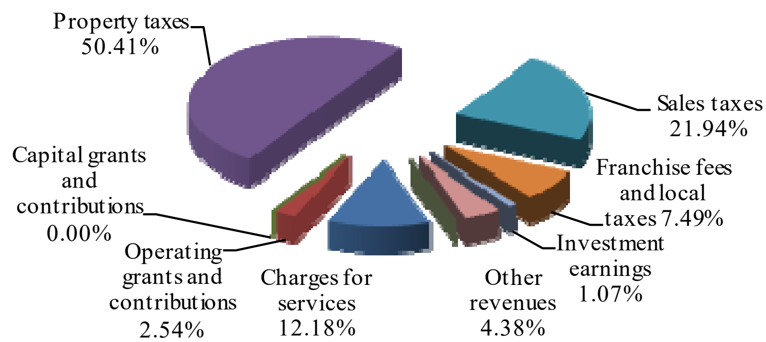
Statement of Activities

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

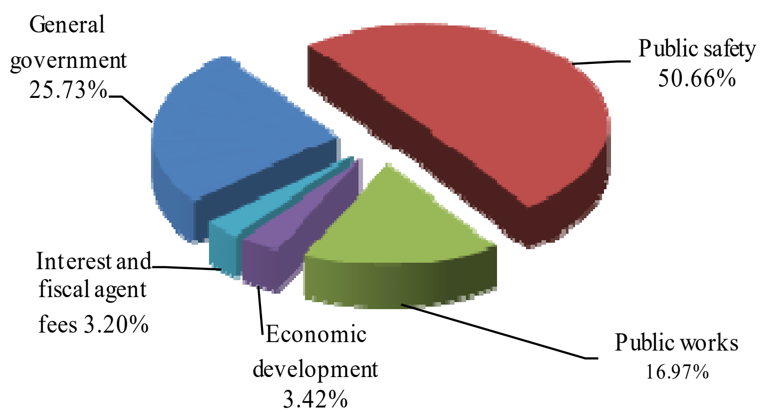
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Revenues						
Program revenues:						
Charges for services	$ 1,948,404	$ 1,504,924	$ 10,703,944	$ 9,514,435	$ 12,652,348	$ 11,019,359
Operating grants and contributions	405,973	462,317	-	-	405,973	462,317
Capital grants and contributions	-	-	11,035,992	993,752	11,035,992	993,752
General revenues:						
Property taxes	8,064,350	8,145,649	-	-	8,064,350	8,145,649
Sales taxes	3,510,399	3,396,295	-	-	3,510,399	3,396,295
Franchise fees and local taxes	1,197,595	1,254,909	378,111	345,335	1,575,706	1,600,244
Investment earnings	171,800	9,411	69,138	8,432	240,938	17,843
Other revenues	700,501	840,671	77,953	38,192	778,454	878,863
Total Revenues	15,999,022	15,614,176	22,265,138	10,900,146	38,264,160	26,514,322
Expenses						
General government	4,092,940	3,796,799	-	-	4,092,940	3,796,799
Public safety	8,060,818	8,103,724	-	-	8,060,818	8,103,724
Public works	2,699,573	1,992,198	-	-	2,699,573	1,992,198
Economic development	543,142	294,254	-	-	543,142	294,254
Interest and fiscal agent fees	508,528	553,692	-	-	508,528	553,692
Utilities	-	-	8,034,750	8,004,669	8,034,750	8,004,669
Total Expenses	15,905,001	14,740,667	8,034,750	8,004,669	23,939,751	22,745,336
Excess of Revenues Over Expenses	94,021	873,509	14,230,388	2,895,477	14,324,409	3,768,986
Transfers	2,238,075	2,062,935	(2,238,075)	(2,062,935)	-	-
Change in Net Position	2,332,096	2,936,444	11,992,313	832,542	14,324,409	3,768,986
Beginning net position	43,116,181	40,179,737	21,778,975	20,946,433	64,895,156	61,126,170
Ending Net Position	$ 45,448,277	$ 43,116,181	$ 33,771,288	$ 21,778,975	$ 79,219,565	$ 64,895,156

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

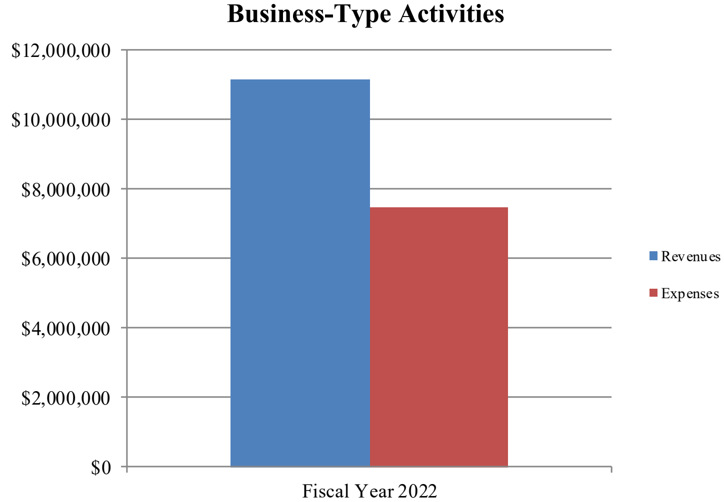
Governmental Revenues



Governmental Expenses



Business-Type Activities



For the year ended September 30, 2022, revenues from governmental activities totaled $15,999,022, which is an increase of $384,846 from the prior year. This increase is primarily related to an increase in charges for services and sales tax revenue. Charges for services revenue increased due to more licenses and permits being issued in 2022 in comparison to prior year. Sales tax revenue increased primarily related to growth within the City. These increases were partially offset by decreases in operating grants and contributions primarily related to decreases in federal funding received in the current year.

For the year ended September 30, 2022, expenses from governmental activities totaled $15,905,001, which is an increase of $1,164,334 from the prior year. This change can be attributed to increases in general government, public works, and economic development. These functions increased primarily due to increases in personnel costs as salaries and benefits expenses increased during the year, as well as increases in professional services expenses.

Operating revenues for business-type activities increased from the prior year. Capital grants and contributions also increased as a result of increased activity for the wastewater plant in the current year. Charges for services increased by $1,189,509, or 13 percent, primarily related to increases in the City's rates for service. Operating expenditures for business-type activities increased from the prior year. Utility expenses increased by $30,081 primarily due to increases in contractual and professional fees and interest expense.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

The City's governmental funds reflect a combined fund balance of $19,442,057. Of this, $89,415 is nonspendable, $12,028,292 is restricted for various purposes, $855,709 is committed for a stabilization fund to cover potential future budget shortfalls, $1,600,000 is committed for a sound mitigation project, and $1,445,377 is assigned for capital projects and animal control. The remaining balance of $3,423,264 is unassigned in the general fund.

There was a net decrease in the combined fund balance of $684,334 compared to the prior year, primarily due to increases in capital outlay expenditures related to construction in progress.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was $3,423,264, while total fund balance reached $5,927,518. As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 27 percent of total general fund expenditures, while total fund balance represents 47 percent of the same amount. Total general fund revenues increased slightly in the current year primarily related to increases in property tax as well as licenses and permit revenue. These increases are primarily due to ongoing growth in the City. Total general fund expenditures also increased primarily related to increases in personnel costs as a result of salary increases across the three functions reported in the general fund.

The debt service fund has a total fund balance of $1,991,653, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was $48,496, which is a result of additional investment revenue and a reduction in interest expense for the year.

The fund balance in the capital projects fund was $7,715,760, which is an increase of $767,235 when compared to the prior year. This increase is primarily related to a transfer in from the general fund.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

There had been a planned decrease in budgeted fund balance in the amount of $2,823,289 in the general fund. However, the net change in fund balance decreased by $1,656,635, resulting in a positive variance of $1,166,654 from actual in comparison to the final amended budget. This was largely due to less public safety and general government expenses than anticipated.

Actual general fund revenues were more than the original and amended budgeted revenues by a net $166,517 during 2022. This net variance is primarily due to more licenses and permits as well as charges for services revenue than what was anticipated.

Actual expenditures were less than original and amended budgeted expenditures by a net $1,000,137 during 2022. Actual total expenditures were closely aligned with the amended budget. The greatest positive variances came in the public safety, public works, and administrative functions.

CAPITAL ASSETS

At the end of the current year, the City's governmental and business-type activities had invested $44,299,231 and $42,110,535, respectively, in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of $905,813 for governmental activities and a net increase of $13,801,314 for business-type activities.

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

LONG-TERM DEBT

At the end of the current year, the City had total bonds and certificates of obligation outstanding of $34,470,694. Of this amount, $13,565,000 was general obligation debt, $1,465,000 was revenue bond debt, $16,025,000 was certificates of obligation, and the remaining $3,415,694 was a loan from the State Infrastructure Bank.

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

Current underlying ratings on debt issues are as follows:

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City Council provided staff with their vision for the future of the City and specific policy guidance with which to propose the fiscal year 2023 budget. The City's general fund revenue is principally made up of property taxes, sales taxes, and franchise fees. The revenue projections for the budget are based on historical data and estimates from the finance department and individual department heads, but they have been projected conservatively.

City Council approved a general fund budget of $16.3 million for the 2023 fiscal year. The 2023 budget incorporated a tax rate of $0.476526 per $100 of valuation, which was approximately a 9.1% decrease from the prior year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

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CITY OF SEABROOK, TEXAS

STATEMENT OF NET POSITION

September 30, 2022

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Unit
Assets				
Cash and cash equivalents	$ 24,662,215	$ 3,172,557	$ 27,834,772	$ 3,245,999
Receivables, net of allowances	1,432,158	7,258,544	8,690,702	204,302
Lease Receivable	323,255	-	323,255	-
Due from primary government	-	-	-	32,742
Prepaids and other assets	89,415	410	89,825	-
Restricted assets:				
and cash equivalents	-	5,104,160	5,104,160	-
	26,507,043	15,535,671	42,042,714	3,483,043
Capital assets:				
Nondepreciable capital assets	17,189,228	26,376,890	43,566,118	-
Depreciable capital assets, net	27,110,003	15,733,645	42,843,648	-
	44,299,231	42,110,535	86,409,766	-
Total Assets	70,806,274	57,646,206	128,452,480	3,483,043
Deferred Outflows of Resources				
Deferred charge on refunding	140,525	12,507	153,032	-
Deferred outflows - pensions	1,455,411	193,066	1,648,477	-
Deferred outflows - OPEB	89,305	-	89,305	-
Total Deferred Outflows of Resources	1,685,241	205,573	1,890,814	-
Liabilities				
Accounts payable and accrued liabilities	1,152,474	3,229,462	4,381,936	21,258
Due to component unit	32,742	-	32,742	-
Unearned revenue	3,601,839	100	3,601,939	-
Accrued bond interest	37,823	111,259	149,082	-
Noncurrent liabilities:				
Portion due within one year	1,988,602	952,628	2,941,230	-
Portion due in more than one year	17,642,429	19,465,253	37,107,682	-
Total Liabilities	24,455,909	23,758,702	48,214,611	21,258
Deferred Inflows of Resources				
Deferred inflows - pensions	2,249,205	321,789	2,570,994	-
Deferred inflows - OPEB	13,950	-	13,950	-
Deferred inflow- leases	324,174	-	324,174	-
Total Deferred Inflows of Resources	2,587,329	321,789	2,909,118	-
Net Position				
Net investment in capital assets	34,022,511	22,199,475	56,221,986	-
Restricted for:				
Debt service	1,991,653	591,877	2,583,530	-
Public safety	1,791,680	-	1,791,680	-
Parks	370,977	-	370,977	-
Tourism	1,417,675	-	1,417,675	-
Governmental programming	166,829	-	166,829	-
Capital projects	-	3,841,996	3,841,996	-
Economic development	-	-	-	3,461,785
Unrestricted	5,686,952	7,137,940	12,824,892	-
Total Net Position	$ 45,448,277	$ 33,771,288	$ 79,219,565	$ 3,461,785

See Notes to Financial Statements.

City of Seabrook, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2022

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	$ 4,092,940	$ 763,250	$ -	$ -
Public safety	8,060,818	415,051	404,092	-
Public works	2,699,573	770,103	1,881	-
Economic development	543,142	-	-	-
Interest and fiscal agent fees	508,528	-	-	-
Total Governmental Activities	15,905,001	1,948,404	405,973	-
Business-Type Activities				
Utilities	8,034,750	10,703,944	-	11,035,992
Total Business-Type Activities	8,034,750	10,703,944	-	11,035,992
Total Primary Government	$ 23,939,751	$ 12,652,348	$ 405,973	$ 11,035,992
Component Unit				
Seabrook Economic Development Corp	$ 760,222	$ -	$ -	$ -
Total Component Unit	$ 760,222	$ -	$ -	$ -

General Revenues:
- Property taxes
- Sales taxes
- Franchise fees and local taxes
- Other taxes
- Investment revenue
- Other revenues

Gain on sale of capital asset

Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning net position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Unit
$ (3,329,690)	$ -	$ (3,329,690)	$ -
(7,241,675)	-	(7,241,675)	-
(1,927,589)	-	(1,927,589)	-
(543,142)	-	(543,142)	-
(508,528)	-	(508,528)	-
(13,550,624)	-	(13,550,624)	-
-	13,705,186	13,705,186	-
-	13,705,186	13,705,186	-
(13,550,624)	13,705,186	154,562	-
-	-	-	(760,222)
-	-	-	(760,222)
8,064,350	-	8,064,350	-
3,510,399	-	3,510,399	1,136,010
725,475	378,111	1,103,586	-
472,120	-	472,120	-
171,800	69,138	240,938	22,372
638,174	77,953	716,127	360
62,327	-	62,327	-
2,238,075	(2,238,075)	-	-
15,882,720	(1,712,873)	14,169,847	1,158,742
2,332,096	11,992,313	14,324,409	398,520
43,116,181	21,778,975	64,895,156	3,063,265
$ 45,448,277	$ 33,771,288	$ 79,219,565	$ 3,461,785

City of Seabrook, Texas

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2022

	General	Debt Service	Capital Projects	Nonmajor Governmental
Assets				
Cash and cash equivalents	$ 9,509,086	$ 1,991,630	$ 7,846,372	$ 3,576,819
Receivables, net	1,030,540	75,203	-	326,415
Lease receivable	323,255	-	-	-
Due from other funds	-	25	-	36,152
Prepaid items	48,545	-	-	40,870
Total Assets	$ 10,911,426	$ 2,066,858	$ 7,846,372	$ 3,980,256
Liabilities				
Accounts payable and accrued liabilities	$ 531,519	$ -	$ 130,612	$ 150,838
Deposits payable	-	-	-	200
Due to other funds	36,177	-	-	-
Due to component unit	32,742	-	-	-
Due to others	21,924	-	-	-
Unearned revenue	3,579,747	-	-	22,092
Total Liabilities	4,202,109	-	130,612	173,130
Deferred Inflows of Resources				
Unavailable revenue - EMS services	253,518	-	-	-
Unavailable revenue - property taxes	204,107	75,205	-	-
Deferred inflow- leases	324,174	-	-	-
Total Deferred Inflows of Resources	781,799	75,205	-	-
Fund Balances				
Nonspendable:				
Prepaids	48,545	-	-	40,870
Restricted for:				
Debt service	-	1,991,653	-	-
Public safety	-	-	-	1,791,680
Parks	-	-	-	370,977
Tourism	-	-	-	1,417,675
Governmental programming	-	-	-	166,829
Capital projects	-	-	6,289,478	-
Committed for:				
Stabilization fund	855,709	-	-	-
Sound mitigation project	1,600,000	-	-	-
Assigned for:				
Capital projects	-	-	1,426,282	-
Animal control	-	-	-	19,095
Unassigned	3,423,264	-	-	-
Total Fund Balances	5,927,518	1,991,653	7,715,760	3,807,126
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 10,911,426	$ 2,066,858	$ 7,846,372	$ 3,980,256

See Notes to Financial Statements.

Total Funds
$ 22,923,907
1,432,158
323,255
36,177
89,415
$ 24,804,912
$ 812,969
200
36,177
32,742
21,924
3,601,839
4,505,851
253,518
279,312
324,174
857,004
89,415
1,991,653
1,791,680
370,977
1,417,675
166,829
6,289,478
855,709
1,600,000
1,426,282
19,095
3,423,264
19,442,057
$ 24,804,912

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City of Seabrook, Texas

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

September 30, 2022

Total fund balances - governmental funds	$	19,442,057
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.		
Capital assets, nondepreciable		17,189,228
Capital assets, net depreciable		26,050,808
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		532,830
Internal service funds are used by management to charge the costs of certain capital assets and maintenance to individual funds. The assets and liabilities of the internal service fund is included in the governmental activities in the Statement of Net Position.		
Unrestricted net position		1,420,927
Net investment in capital assets		1,059,195
Some liabilities, including bonds payable, are not reported as liabilities in the governmental funds.		
Accrued interest payable		(37,823)
Deferred charge on refunding		140,525
Deferred outflows - pensions		1,455,411
Deferred inflows - pensions		(2,249,205)
Deferred outflows - OPEB		89,305
Deferred inflows - OPEB		(13,950)
Noncurrent liabilities due in one year		(1,988,602)
Noncurrent liabilities due in more than one year		(17,642,429)
Net Position of Governmental Activities	$	45,448,277

See Notes to Financial Statements.

City of Seabrook, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2022

	General	Debt Service	Capital Projects	Nonmajor Governmental
Revenues				
Property taxes	$ 6,016,045	$ 2,069,233	$ -	$ -
Sales taxes	2,418,302	-	-	1,092,097
Franchise fees and local taxes	689,965	-	-	35,510
Other taxes	-	-	-	472,120
Licenses and permits	770,103	-	-	-
Fines and forfeitures	357,586	-	-	57,465
Charges for services	718,725	-	-	44,525
Intergovernmental	404,092	-	-	1,881
Investment revenue	74,913	20,068	43,118	22,018
Other revenue	216,054	-	-	200,811
Total Revenues	11,665,785	2,089,301	43,118	1,926,427
Expenditures				
Current:				
General government	3,601,766	-	-	28,827
Public safety	7,149,923	-	-	885,208
Public works	1,942,018	-	-	653
Economic development	-	-	-	549,179
Capital outlay	-	-	2,075,077	190,870
Debt service:				
Principal	-	1,526,749	-	-
Interest and fiscal agent fees	-	514,056	-	-
Total Expenditures	12,693,707	2,040,805	2,075,077	1,654,737
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,027,922)	48,496	(2,031,959)	271,690
Other Financing Sources (Uses)				
Transfers in	2,243,294	-	2,799,194	41,400
Transfers (out)	(2,866,027)	-	-	(162,500)
Total Other Financing Sources (Uses)	(622,733)	-	2,799,194	(121,100)
Net Change in Fund Balances	(1,650,655)	48,496	767,235	150,590
Beginning fund balances	7,578,173	1,943,157	6,948,525	3,656,536
Ending Fund Balances	$ 5,927,518	$ 1,991,653	$ 7,715,760	$ 3,807,126

See Notes to Financial Statements.

Total Funds
$ 8,085,278
3,510,399
725,475
472,120
770,103
415,051
763,250
405,973
160,117
416,865
15,724,631
3,630,593
8,035,131
1,942,671
549,179
2,265,947
1,526,749
514,056
18,464,326
(2,739,695)
5,083,888
(3,028,527)
2,055,361
(684,334)
20,126,391
$ 19,442,057

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City of Seabrook, Texas

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

For the Year Ended September 30, 2022

Net changes in fund balances - total governmental funds	$	(684,334)
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 expense.		
Capital outlay		2,295,349
Disposal of capital assets, net		(1,176)
Depreciation expense		(1,388,360)
The issuance of long-term debt (e.g., bonds, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Net Position.		
Principal payments		1,526,749
Amortization of premium		39,511
Amortization of deferred charges		(37,109)
Accrued interest		3,126
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the funds.		(20,928)
Governmental funds report the payment of pension contributions as an expenditure; whereas, these payments are treated as reduction in the net pension liability/(asset) on the Statement of Activities.		
Compensated absences		1,157
Net pension liability		1,645,564
Total OPEB liability		(33,503)
Change in deferred outflows - pensions		420,720
Change in deferred inflows - pensions		(1,292,455)
Change in deferred outflows - OPEB		(8,395)
Change in deferred inflows - OPEB		2,862
An internal service fund is used by management to charge the costs of certain capital assets and maintenance to individual funds. The net revenue (expense) is reported with governmental activities.		(136,682)
Change in Net Position of Governmental Activities	$	2,332,096

See Notes to Financial Statements.

City of Seabrook, Texas

STATEMENT OF NET POSITION (Page 1 of 2)

PROPRIETARY FUNDS

September 30, 2022

	Business-Type Activities	Governmental Activities
	Utility Enterprise	Internal Service
Assets		
Current assets		
Cash and cash equivalents	$ 3,172,557	$ 1,738,308
Accounts receivable (net of allowance for uncollectibles)	7,258,544	-
Restricted cash and cash equivalents		
Capital projects - impact fees	4,295,360	-
Capital projects - bond proceeds	216,923	-
Debt service	591,877	-
Prepaid expense	410	-
Total Current Assets	15,535,671	1,738,308
Noncurrent assets		
Capital assets:		
Land	1,605,575	-
Buildings	3,359,751	-
Infrastructure	22,223,582	-
Equipment	3,678,752	1,576,059
Construction in progress	24,771,315	-
Less accumulated depreciation	(13,528,440)	(516,864)
Total Capital Assets (Net)	42,110,535	1,059,195
Total Noncurrent Assets	42,110,535	1,059,195
Total Assets	$ 57,646,206	$ 2,797,503
Deferred Outflows of Resources		
Deferred charge on refunding	12,507	-
Deferred outflows - pensions	193,066	-
Total Deferred Outflows of Resources	205,573	-

City of Seabrook, Texas

STATEMENT OF NET POSITION (Page 2 of 2)
PROPRIETARY FUNDS

September 30, 2022

	Business-Type Activities	Governmental Activities
	Utility Enterprise	**Internal Service**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 2,523,375	$ 317,381
Accrued interest payable	111,259	-
Customer deposits	706,087	-
Bonds payable - current	728,251	-
Note payable - current	167,460	-
Unearned revenue	100	
Compensated absences	56,917	-
Total Current Liabilities	4,293,449	317,381
Noncurrent liabilities		
Bonds payable - noncurrent (net of premiums and discounts)	15,848,470	-
Note payable - noncurrent	3,248,234	-
Net pension liability	332,378	-
Compensated absences	36,171	-
Total Noncurrent Liabilities	19,465,253	-
Total Liabilities	23,758,702	317,381
Deferred Inflows of Resources		
Deferred inflows - pensions	321,789	-
Total Deferred Inflows of Resources	321,789	-
Net Position		
Net investment in capital assets	22,199,475	1,059,195
Restricted for:		
Capital projects - impact fees	3,841,996	-
Debt service	591,877	-
Unrestricted	7,137,940	1,420,927
Total Net Position	$ 33,771,288	$ 2,480,122

See Notes to Financial Statements.

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City of Seabrook, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS

For the Year Ended September 30, 2022

	Business-Type Activities Utility Enterprise	Governmental Activities Internal Service
Operating Revenues		
Water service	$ 4,559,720	$ -
Sewer service	3,608,132	-
Sanitation service	2,536,092	-
Franchise fees	378,111	-
Service fees	-	221,309
Other revenue	77,953	-
Total Operating Revenues	11,160,008	221,309
Operating Expenses		
Personnel services	1,236,786	-
Supplies and materials	55,555	33,014
Contractual services	5,240,899	-
Repairs and maintenance	251,998	-
Depreciation	656,984	146,862
Total Operating Expenses	7,442,222	179,876
Operating Income (Loss)	3,717,786	41,433
Nonoperating Revenues (Expenses)		
Gain on sale of capital assets	-	62,327
Investment revenue	69,138	11,683
Interest expense and fiscal charges	(592,528)	-
Total Nonoperating Revenues	(523,390)	74,010
Income (Loss) Before Contributions and Transfers	3,194,396	115,443
Contributions and Transfers		
Impact fees	427,889	-
Capital contribution	10,608,103	-
Transfers in	5,219	182,714
Transfers (out)	(2,243,294)	-
Total Contributions and Transfers	8,797,917	182,714
Change in Net Position	11,992,313	298,157
Beginning net position	21,778,975	2,181,965
Ending Net Position	$ 33,771,288	$ 2,480,122

See Notes to Financial Statements.

City of Seabrook, Texas

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 1 of 2)

For the Year Ended September 30, 2022

	Business-Type Activities	Governmental Activities
	Utility Enterprise	Internal Service
Cash Flows from Operating Activities		
Receipts from customers and users	$ 5,025,932	$ 221,309
Payments to suppliers	(5,864,852)	284,367
Payments to employees	(1,345,727)	-
Net Cash Provided (Used) By Operating Activities	(2,184,647)	505,676
Cash Flows from Noncapital Financing Activities		
Transfers from other funds	5,219	182,714
Transfers (to) other funds	(2,243,294)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(2,238,075)	182,714
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(14,458,298)	(592,943)
Contributions	10,608,103	-
Proceeds from sale of capital assets	-	62,327
Interest and fiscal charges	(682,326)	-
Principal paid on capital debt	(787,667)	-
Impact fees	427,889	-
Net Cash (Used) by Capital and Related Financing Activities	(4,892,299)	(530,616)
Cash Flows from Investing Activities		
Interest on investments	69,138	11,683
Net Cash Provided by Investing Activities	69,138	11,683
Net Increase (Decrease) in Cash and Cash Equivalents	(9,245,883)	169,457
Cash and cash equivalents, beginning of year	17,522,600	1,568,851
Ending Cash and Cash Equivalents	$ 8,276,717	$ 1,738,308
Ending Cash and Cash Equivalents:		
Unrestricted cash and cash equivalents	$ 3,172,557	$ 1,738,308
Restricted cash and cash equivalents	5,104,160	-
Ending Cash and Cash Equivalents	$ 8,276,717	$ 1,738,308

City of Seabrook, Texas

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 2 of 2)

For the Year Ended September 30, 2022

	Business-Type Activities	Governmental Activities
	Utility Enterprise	Internal Service
Reconciliation of Operating Income (Loss)		
to Net Cash Provided (Used) by Operating Activities		
Operating income (loss)	$ 3,717,786	$ 41,433
Adjustments to reconcile operating income (loss)		
to net cash provided (used) by operating activities:		
Depreciation	656,984	146,862
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in Assets:		
Accounts receivable	(6,134,076)	-
Prepaids	140	-
Deferred outflows - pensions	(59,544)	-
Increase (Decrease) in Liabilities:		
Accounts payable and accrued liabilities	(351,730)	317,381
Unearned revenue	100	-
Compensated absences	477	-
Customer deposits	35,190	-
Net pension liability	(232,893)	-
Deferred inflows - pensions	182,919	-
Net Cash Provided (Used) by Operating Activities	$ (2,184,647)	$ 505,676

See Notes to Financial Statements.

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

Discretely Presented Component Unit

Seabrook Economic Development Corporation

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

Blended Component Unit

Crime Control and Prevention District

The Seabrook Crime Control and Prevention District (the "District") has been included in the reporting entity as a blended component unit. The District was created by the City under the authority granted by Chapter 36 of the Texas Local Government Code and Section 323.105 of the Texas Tax Code for the purpose of strengthening and enhancing crime control activities of the City. Management of the City has operational responsibility for the component unit. The District provides services exclusively to the City.

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

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

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

B. Government-Wide Financial Statements

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

C. Basis of Presentation – Government-Wide Financial Statements

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

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

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds, including its blended component unit. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following governmental funds:

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

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

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

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

The City reports the following enterprise fund:

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

Additionally, the City reports the following fund type:

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

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

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

E. Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

F. 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, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

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

2. Investments

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

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

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

3. Inventories and Prepaid Items

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

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

4. Restricted Assets

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

5. Capital Assets

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

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

6. Deferred Outflows/Inflows of Resources

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

Deferred outflows/inflows of resources are amortized as follows:

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

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

7. Compensated Employee Absences

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

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

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

8. Long-Term Obligations

In government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, if material. Bonds payable are reported net of the applicable bond premium or discount.

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

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

9. Leases

The City is a lessor for a lease of a tower license. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide financial statements.

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

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

The City uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

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

10. 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.

11. Fund Balance Flow Assumptions

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

12. Fund Balance Policies

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

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

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

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

The City strives to maintain an unassigned fund balance equivalent to 25 percent of budgeted expenditures, based on current year expenditures. The purpose of the unassigned fund balance is to alleviate significant unanticipated budget shortfalls and to ensure the orderly provisions of services to citizens. Should unassigned fund balance fall below the goal or have a deficiency, the City will seek to adjust budget resources in the subsequent fiscal years to restore the balance.

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

13. Estimates

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

14. Pensions

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

15. Other Postemployment Benefits

The City participates in a single-employer, unfunded, 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 funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. Benefit payments are treated as being equal to the employer's yearly contributions for retirees. Benefit payments and refunds are due and payable in accordance with the benefit terms. Information about the City's total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense is provided by TMRS from reports prepared by their consulting actuary.

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

3. Proprietary Funds 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 and internal service funds are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles except the capital projects fund, which adopts a project length budget. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the charter in the approved budget is the department level. The City Manager may transfer appropriations within a department without seeking the approval of City Council. Appropriations lapse at the end of the year, excluding capital project budgets. Supplemental budget appropriations were made for the year ended September 30, 2022. All special revenue funds have adopted budgets.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2022, the City had the following investments:

Investment Type	Value	Weighted Average Maturity (Years)
TexPool	$ 32,692,689	0.07
Total	$ 32,692,689	
Portfolio weighted average maturity		0.07

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

Credit risk. The City's investment policy limits investments in public fund investment pools rated as to investment quality not less than "A" or "AAAm," or an equivalent rating by at least one nationally recognized rating service. Investments in SEC-registered and regulated money market mutual funds must have an investment quality not less than "AAA-," or an equivalent rating by at least one nationally recognized rating service. As of September 30, 2022, the City's investment in TexPool was rated "AAAm" by Standard & Poor's.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of September 30, 2022, fair market values of pledged securities and FDIC coverage exceeded bank balances.

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

TexPool

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

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

B. Receivables

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

	General	Debt Service	Nonmajor	Component Unit
Property taxes	$ 364,934	$ 137,058	$ -	$ -
Sales taxes	420,445	-	192,460	204,302
Ambulance fees	734,663	-	-	-
Franchise fees	2,423	-	9,481	-
Other taxes	-	-	115,669	-
Other receivables	150,047	-	8,805	-
Less allowance	(641,972)	(61,855)	-	-
	$ 1,030,540	$ 75,203	$ 326,415	$ 204,302

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

	Unavailable
Delinquent property taxes receivable - general fund	$ 204,107
Delinquent property taxes receivable - debt service fund	75,205
Delinquent emergency medical services receivable	253,518
Lease revenue	324,174
Total	$ 857,004

C. Capital Assets

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

	Beginning Balance	Increases	(Decreases)/ Reclassifications	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 14,848,184	$ -	$ -	$ 14,848,184
Construction in progress	512,640	1,828,404	-	2,341,044
Total capital assets not being depreciated	15,360,824	1,828,404	-	17,189,228
Other capital assets:				
Infrastructure	25,514,394	196,740	-	25,711,134
Buildings and improvements	19,407,984	196,522	(154,284)	19,450,222
Machinery and equipment	10,556,930	73,683	(84,052)	10,546,561
Total other capital assets	55,479,308	466,945	(238,336)	55,707,917
Less accumulated depreciation for:				
Infrastructure	(13,018,619)	(477,626)	-	(13,496,245)
Buildings and improvements	(6,745,442)	(488,895)	153,108	(7,081,229)
Machinery and equipment	(7,682,653)	(421,839)	84,052	(8,020,440)
Total accumulated depreciation	(27,446,714)	(1,388,360)	237,160	(28,597,914)
Other capital assets, net	28,032,594	(921,415)	(1,176)	27,110,003
Governmental Activities Capital Assets, Net	$ 43,393,418	$ 906,989	$ (1,176)	44,299,231
			Plus deferred loss on refunding	140,525
			Plus unspent bond proceeds	6,289,478
			Less associated debt	(16,706,723)
			Net Investment in Capital Assets	$ 34,022,511

Depreciation was charged to governmental functions as follows:

General government	$ 425,109
Public safety	343,061
Public works	620,190
Total Governmental Activities Depreciation Expense	$ 1,388,360

Construction in progress and remaining commitments under related construction contracts for governmental activities at year end are as follows:

Project Description	Authorized Contract	Contract Expenditures	Remaining Contract
Old Seabrook	$ 750,000	$ 505,998	$ 244,002
Department of Transportation weigh station	326,294	6,641	319,653
Pine Gully Pier Rebuild	188,218	129,376	58,842
Avaya Phone Upgrade	53,665	21,466	32,199
East Meyer Hike and Bike Trail	524,628	218,260	306,368
Meador Park Restroom Upgrade	64,100	4,455	59,645
Todville Side Street Asphalt Overlay	56,300	28,750	27,550
Baybrook & Seascape Drainage Improvement	1,426,098	1,426,098	-
	$ 3,389,303	$ 2,341,044	$ 1,048,259

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

	Beginning Balance	Increases	(Decreases)/ Reclassifications	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated:				
Land	$ 1,605,575	$ -	$ -	$ 1,605,575
Construction in progress	10,562,329	14,208,986	-	24,771,315
Total capital assets not being depreciated	12,167,904	14,208,986	-	26,376,890
Other capital assets:				
Water and sewer system	22,121,952	101,630	-	22,223,582
Buildings and improvements	3,359,751	-	-	3,359,751
Machinery and equipment	3,619,678	153,599	(94,525)	3,678,752
Total other capital assets	29,101,381	255,229	(94,525)	29,262,085
Less accumulated depreciation for:				
Water and sewer system	(8,375,712)	(430,571)	-	(8,806,283)
Buildings and improvements	(2,221,988)	(68,529)	-	(2,290,517)
Machinery and equipment	(2,362,364)	(157,884)	88,608	(2,431,640)
Total accumulated depreciation	(12,960,064)	(656,984)	88,608	(13,528,440)
Other capital assets, net	16,141,317	(401,755)	(5,917)	15,733,645
Business-Type Activities Capital Assets, Net	$ 28,309,221	$ 13,807,231	$ (5,917)	42,110,535
			Plus unspent bond proceeds	68,848
			Plus deferred loss on refunding	12,507
			Less associated debt	(19,992,415)
			Net Investment in Capital Assets	$ 22,199,475

Depreciation was charged to business-type functions as follows:

Water and sewer	$ 656,984
Total Business-Type Activities Depreciation Expense	$ 656,984

Construction in progress and remaining commitments under related construction contracts for proprietary fund projects at year end are as follows:

Project Description	Authorized Contract	Contract Expenditures	Remaining Contract
Pine Gully treatment plant Phase 1	$ 4,082,317	$ 4,001,877	$ 80,440
Pine Gully treatment plant Phase 2	13,626,815	13,626,815	-
Thoroughfare	6,300	6,300	-
SH146 utility relocation	4,100,971	4,127,926	(26,955)
SCADA	2,977,264	2,977,264	-
Chloramine conversion	234,244	25,433	208,811
Smart Meter install	130,475	5,700	124,775
	$ 25,158,386	$ 24,771,315	$ 387,071

D. Lease Receivable

During the current fiscal year, the City implemented GASB Statement No. 87, – *Leases* (GASB 87), and captured the lease receivable and deferred inflow related to the lease of certain areas of the Crown Castle tower license agreement. The lease spans 12 years, and the City will receive yearly payments of $29,470 plus interest for the leases. The City recognized $29,470 in lease revenue during the current fiscal year related to these leases. As of September 30, 2022, the City's receivable for lease payments was $323,255. Also, the City has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease term. As of September 30, 2022, the balance of the deferred inflow of resources was $324,174.

E. Long-Term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Direct borrowings/placements:					
General obligation bonds	$ 7,700,000	$ -	$ (1,180,000)	$ 6,520,000	$ 1,220,000
Certificates of obligation	415,000	-	(70,000)	345,000	70,000
Bonds, notes, and other payables:					
Certificates of obligation	2,658,155	-	(11,749)	2,646,406	11,749
General obligation bonds	6,865,000	-	(265,000)	6,600,000	265,000
Deferred amounts:					
For issuance discounts/premiums	634,828	-	(39,511)	595,317	-
	18,272,983	-	(1,566,260)	16,706,723 *	1,566,749
Other liabilities:					
Net pension liability	2,985,171	-	(1,645,564)	1,339,607	-
Total OPEB liability	400,991	33,503	-	434,494	-
Compensated absences	1,151,364	408,116	(409,273)	1,150,207	421,853
Total Governmental Activities	$ 22,810,509	$ 441,619	$ (3,621,097)	$ 19,631,031	$ 1,988,602
			Long-term debt due in more than one year	$ 17,642,429	
			***Debt associated with governmental activities capital assets**	$ 16,706,723	

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Business-Type Activities:					
Direct borrowings/placements:					
Note - State loan	$ 3,490,110	$ -	$ (74,416)	$ 3,415,694	$ 167,460
Revenue bonds	1,665,000	-	(200,000)	1,465,000	205,000
General obligation bonds	585,000	-	(140,000)	445,000	145,000
Certificates of obligation	1,750,000	-	(160,000)	1,590,000	160,000
Bonds, notes, and other payables:					
Certificates of obligation	11,656,845	-	(213,251)	11,443,594	218,251
Deferred amounts:					
For issuance discounts/premiums	1,727,093	-	(93,966)	1,633,127	-
	20,874,048	-	(881,633)	19,992,415 *	895,711
Other liabilities:					
Net pension liability	565,271	-	(232,893)	332,378	-
Compensated absences	92,611	64,746	(64,269)	93,088	56,917
Total Business-Type Activities	$ 21,531,930	$ 64,746	$ (1,178,795)	$ 20,417,881	$ 952,628
			Long-term debt due in more than one year	$ 19,465,253	
			***Debt associated with business-type activities capital assets**	$ 19,992,415	

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

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

The following is a summary of the terms of general obligation bonds, certificates of obligation, revenue bonds, and a loan outstanding as of September 30, 2022:

Description	Interest Rates	Balance
Governmental Activities		
General Obligation Bonds		
Series 2003	4.40%	$ 1,110,000
Series 2013 refunding	1.86%	1,490,000
Series 2015	2.00-3.25%	6,600,000
Series 2017 refunding	1.96%	3,920,000
Total General Obligation Bonds		13,120,000
Certificates of Obligation		
Series 2010	3.642%	345,000
Series 2020	2.00-4.00%	2,646,406
Total Certificates of Obligation		2,991,406
Total Governmental Activities Long-Term Debt		$ 16,111,406
Business-Type Activities		
General Obligation Bonds		
Series 2013 refunding	1.86%	$ 445,000
Total General Obligation Bonds		445,000
Certificates of Obligation		
Series 2016	2.13%	1,590,000
Series 2016A	2.00%	5,080,000
Series 2020	2.00-4.00%	6,363,594
Total Certificates of Obligation		13,033,594
Revenue Bonds		
Series 2003 refunding	4.45%	440,000
Series 2008	4.12%	1,025,000
Total Revenue Bonds		1,465,000
State Loan		
State Infrastructure Bank Loan 2018	3.15%	3,415,694
Total State Loan		3,415,694
Total Business-Type Activities Long-Term Debt		$ 18,359,288

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

Fiscal Year Ending	Governmental Activities Direct Borrowings/Placement Principal	Governmental Activities Direct Borrowings/Placement Interest	Governmental Activities Principal	Governmental Activities Interest	Business-Type Activities Direct Borrowings/Placement Principal	Business-Type Activities Direct Borrowings/Placement Interest	Business-Type Activities Principal	Business-Type Activities Interest
2023	$ 1,290,000	$ 165,951	$ 276,749	$ 306,181	$ 677,460	$ 208,911	$ 218,251	$ 448,857
2024	1,320,000	131,318	288,217	299,320	701,735	188,540	226,783	442,592
2025	1,355,000	95,735	296,749	292,182	723,176	167,412	228,251	436,106
2026	1,435,000	59,111	263,217	283,396	760,788	145,520	236,783	429,541
2027	1,465,000	29,807	268,217	275,632	783,578	119,350	246,783	420,705
2028-2032	-	-	4,576,089	1,044,279	1,786,316	357,597	3,443,911	1,792,499
2033-2037	-	-	2,639,798	323,227	1,215,987	140,132	3,910,202	1,057,925
2038-2042	-	-	637,370	51,166	266,654	4,200	2,932,630	265,634
Total	$ 6,865,000	$ 481,922	$ 9,246,406	$ 2,875,383	$ 6,915,694	$ 1,331,662	$ 11,443,594	$ 5,293,859

Federal Arbitrage

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

F. Interfund Transactions

The composition of interfund balances as of year end was as follows:

Receivable Fund	Payable Fund	Amounts
Debt service	General	$ 25
Nonmajor governmental	General	36,152
	Total	$ 36,177

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

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

Transfer Out	Transfer In	Amounts
General	Capital projects	$ 2,799,194
General	Nonmajor governmental	41,400
General	Internal service	20,214
General	Utility	5,219
Nonmajor governmental	Internal service	162,500
Utility	General	2,243,294
	Total	$ 5,271,821

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

G. Restricted Assets

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

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City participates along with 2,617 other entities in the Texas Municipal League's (TML) Intergovernmental Risk Pools (the "Pool"). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

The City also provides workers' compensation insurance through the TML Workers' Compensation Fund (the "Fund"). Workers' compensation premiums are subject to change when audited by the Fund. At September 30, 2022, the City believed the amounts paid on workers' compensation would not change significantly from the amounts recorded.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures that may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

C. Pension Plan

Texas Municipal Retirement System

Plan Description

The City participates as one of 901 plans in the defined benefit cash-balance plan administered by TMRS. TMRS is a statewide public retirement plan created by the State and administered in accordance with the Texas Government Code, Title 8, Subtitle G (the "TMRS Act") as an agent multiple-employer retirement system for municipal employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees (the "Board"); however, TMRS does not receive any funding from the State. TMRS issues a publicly available annual comprehensive financial report that can be obtained at tmrs.com.

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

Benefits Provided

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

At retirement, the 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 payment 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 statutes governing TMRS. Plan provisions for the City were as follows:

	2022	**2021**
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	30% of CPI Repeating	30% of CPI Repeating

Employees Covered by Benefit Terms

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	84
Inactive employees entitled to, but not yet receiving, benefits	47
Active employees	110
Total	241

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, and the City-matching ratios are either 1:1 (1 to 1), 1.5:1 (1½ to 1), or 2:1 (2 to 1), both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% percent of their annual gross earnings during the fiscal year. The contribution rates for the City were 16.13% and 15.62% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2022 were $1,247,906, which are equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2021 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The postretirement mortality assumption for the 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	35.00%	7.55%
Core Fixed Income	6.00%	2.00%
Non-Core Fixed Income	20.00%	5.68%
Other Public and Private Mark	12.00%	7.22%
Real Estate	12.00%	6.85%
Hedge Funds	5.00%	5.35%
Private Equity	10.00%	10.00%
Total	100.00%	

Discount Rate

The discount rate used to measure the TPL was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the TMRS 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 TPL.

Changes in the NPL

	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Changes for the year:			
Service cost	$ 1,326,064	$ -	$ 1,326,064
Interest	2,753,205	-	2,753,205
Difference between expected and actual experience	735,786	-	735,786
Contributions - employer	-	1,265,378	(1,265,378)
Contributions - employee	-	552,899	(552,899)
Net investment income	-	4,897,752	(4,897,752)
Benefit payments, including refunds of employee			-
contributions	(2,025,238)	(2,025,238)	-
Administrative expense	-	(22,672)	22,672
Other changes	-	155	(155)
Net Changes	2,789,817	4,668,274	(1,878,457)
Balance at December 31, 2020	41,137,807	37,587,365	3,550,442
Balance at December 31, 2021	$ 43,927,624	$ 42,255,639	$ 1,671,985

Sensitivity of the NPL to Changes in the Discount Rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	$ 7,396,827	$ 1,671,985	$ (3,089,380)

Pension Plan Fiduciary Net Position

Detailed information about the TMRS plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

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

For the fiscal year ended September 30, 2022, the City recognized net pension expense of $380,557.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 657,226	$ 55,232
Changes in actuarial assumptions	40,415	-
Difference between projected and actual investment earnings	-	2,515,762
Contributions subsequent to the measurement date	950,836	-
Total	$ 1,648,477	$ 2,570,994

$950,836 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the NPL for the fiscal year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended September 30:	Pension Expense
2022	$ (219,460)
2023	(898,434)
2024	(391,585)
2025	(363,874)
Thereafter	-
Total	$ (1,873,353)

D. Other Postemployment Benefits

TMRS – Supplemental Death Benefits

Plan Description

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

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

The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The TMRS Act requires the PTF to allocate a 5% interest credit from investment income to the SDBF on an annual basis each December 31 based on the mean balance in the SDBF during the year.

Benefits

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

Participation in the SDBF as of December 31, 2021 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	57
Inactive employees entitled to, but not yet receiving, benefits	6
Active employees	110
Total	173

Total OPEB Liability

The City's total OPEB liability of $434,494 was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	3.50% to 11.50% including inflation
Discount rate	1.84%*
Retirees' share of benefit-related costs	Zero
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB 68.
Mortality rates-service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates-disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

* The discount rate is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Changes in the Total OPEB Liability

	Total OPEB Liability
Changes for the year:	
Service cost	$ 19,364
Interest	8,151
Differences between expected and actual experience	(1,652)
Changes of assumptions	13,837
Benefit payments*	(6,197)
Net Changes	33,503
Beginning balance	400,991
Ending Balance	$ 434,494

* Benefit payments are treated as being equal to the employer's yearly contributions for retirees due to the SDBF being considered an unfunded OPEB plan under GASB 75.

The discount rate decreased from 2.0% as of December 31, 2020 to 1.84% as of December 21, 2021. There were no other changes of assumption or other inputs that affected measurement of the total OPEB liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

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

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

	1% Decrease in Discount Rate (0.84%)	Discount Rate (1.84%)	1% Increase in Discount Rate (2.84%)
City's Total OPEB Liability	$ 535,680	$ 434,494	$ 357,178

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

For the year ended September 30, 2022, the City recognized OPEB expense of $45,381. The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	$ 83,967	$ 7,491
Difference between expected and actual experience	468	6,459
Contributions subsequent to the measurement date	4,870	-
Total	$ 89,305	$ 13,950

$4,870 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction the of total OPEB liability for the fiscal year ending September 30, 2023.

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

Fiscal Year Ended September 30:	OPEB Expense
2023	$ 17,866
2024	16,039
2025	16,277
2026	12,335
2027	7,050
Thereafter	918
Total	$ 70,485

E. Tax Abatements and Economic Incentives

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

Programs may rebate a flat amount or percentage of property taxes or sales taxes that are received by the City or the SEDC. They may result in fee reductions such as utility charges or building inspection fees. Some agreements may take the form of one-time incentive payments to offset moving expenses, tenant finish-outs, demolition costs, infrastructure, or other expenses. As of fiscal year 2022, the SEDC has granted the following incentive agreements:

The SEDC agreed to rebate the amount of SEDC tax paid by Merloaded, LLC relating to a restaurant in an amount not to exceed $40,000, or for a period of up to ten years, whichever occurs first. During fiscal year 2022, the SEDC rebated $6,009 in sales taxes paid by Merloaded, LLC.

The SEDC agreed to rebate the amount of SEDC sales tax paid by Mario's Pizza relating to a restaurant in an amount not to exceed $74,813, for a period of up to ten years after Mario's Pizza completes relocation. During fiscal year 2022, the SEDC rebated $8,329 in sales taxes paid by Mario's Pizza.

H. Restatement of Net Position/Fund Balance

The City has restated receivables and deferred inflows of resources for governmental activities for the implementation of GASB 87, *Leases*. This restatement had no impact on beginning net position or beginning fund balance.

	Governmental Activities	General Fund
Beginning net position/fund balance	$ 43,116,181	$ 7,578,173
Restatement - lease receivable	353,644	353,644
Restatement - deferred inflow - lease	(353,644)	(353,644)
Beginning net position/fund balance - restated	$ 43,116,181	$ 7,578,173

APPENDIX C

FORMS OF BOND COUNSEL OPINIONS

Orrick, Herrington & Sutcliffe LLP
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40th Floor
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April 11, 2024

We have acted as Bond Counsel to the City of Seabrook, Texas (the "City"), in connection with an issue of its City of Seabrook, Texas General Obligation Bonds, Series 2024 (the "Bonds"), dated April 1, 2024, in the aggregate principal amount of $4,150,000. The Bonds are issuable in fully registered form only, in denominations of $5,000 or integral multiples thereof, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the ordinance (the "Bond Ordinance") adopted by the City Council of the City authorizing their issuance.

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

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

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

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

(1) The Bonds constitute the valid and binding obligations of the City;

(2) The Bonds are payable from, and secured by, the proceeds of an annual ad valorem tax levied, within the limits prescribed by law, upon all taxable property located within the City, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds; and

(3) Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds.

ORRICK, HERRINGTON & SUTCLIFFE LLP

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April 11, 2024

We have acted as Bond Counsel in connection with the issuance by the City of Seabrook, Texas (the "City") of its Certificates of Obligation, Series 2024 (the "Certificates"), dated April 1, 2024, in the aggregate principal amount of $9,715,000. The Certificates are issuable in fully registered form only, in denominations of $5,000 or integral multiples thereof, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Certificates and in the ordinance adopted by the City Council of the City on March 19, 2024 authorizing their issuance (the "Certificate Ordinance").

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

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Certificates has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Certificate Ordinance and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Certificates to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Certificates, the Certificate Ordinance and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against issuers in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Certificates and express no opinion with respect thereto.

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

(1) The Certificates constitute the valid and binding obligations of the City;

(2) The Certificates are payable from, and secured by, the proceeds of an annual ad valorem tax levied, within the limits prescribed by law, upon all taxable property located within the City, which taxes have been pledged irrevocably to pay the principal of and interest on the Certificates and a pledge of a subordinate lien of the surplus revenues of the City's water and sewer system not to exceed $1,000; and

(3) Interest on the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Certificates is not a specific preference item for purposes of federal individual alternative minimum tax. We observe that interest on the Certificates included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Certificates.

ORRICK, HERRINGTON & SUTCLIFFE LLP